

All Under One Roof

M&M Distributing Takes Product Mix to the Max

Those who find themselves walking on the west side of downtown

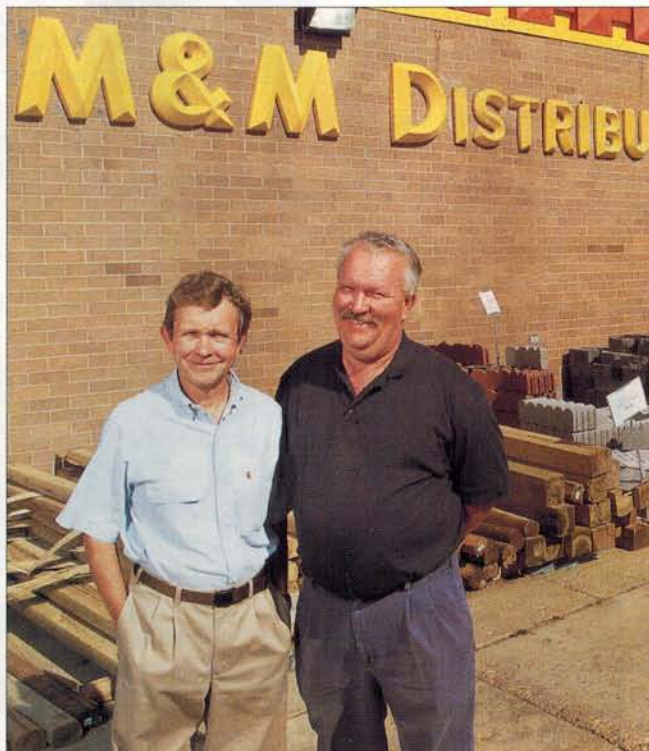
Pipestone, Minn., could pass right by the building that houses M&M Distributing Co. without a second glance. There is no neon marquis or colorful facade to attract attention. There are no 80-foot-tall signs that can be seen for miles around shouting the retailer's name. For those on the outside looking in, the size of the store is anyone's guess.

But once inside the store, it's immediately obvious how wrong first impressions can be. Department signs stretch as far back as the eye can see, and the variety of products that greet customers upon entering the store sends the message M&M Distributing has what they're looking for. Home electronics and videos are just to the left. An array of closeout vani-

ties is arranged just past the checkouts with camping tents and outdoor power equipment rising behind on display racking. To the right of the entrance, lawn and garden follows a selection of beauty products.

"You don't generate the volume of business we do if you're very narrowly focused," says M&M co-owner Mark McCallum. "You couldn't do millions of dollars in business in towns of 2,500 to 5,000 with narrow categories."

Mark and his brother John McCallum make it their mission to fill their 35,000-square-foot Pipestone store, as well as their family's farm supply stores in Luverne (25,000 square feet) and Slayton (20,000 square feet), with as many products as their customers want and need. It has reached the point where each store is bursting at the seams.



Brothers John (left) and Mark McCullum helped turn what began as a 2,000-square-foot general store into a multi-million dollar, three-store chain of farm stores in rural Minnesota. M&M Distributing Co. offers customers a wide variety of categories as well as honest, personal service.

The McCallums have added thousands more products since they last took a mental note of the number of SKUs their stores carried. As a

result, neither one knew the stores' exact SKU counts. "It's a lot," was the chimed response.

More, it seems, is better at M&M. But that was

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— MARK MCCALLUM, M&M DISTRIBUTING CO.

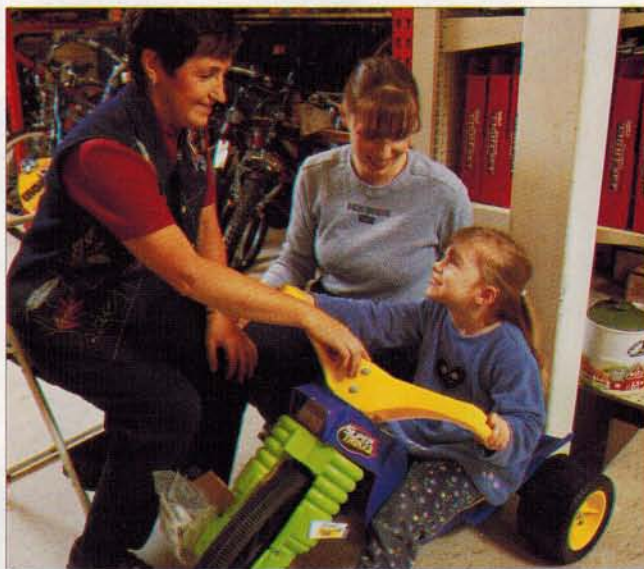
n't a philosophy started by the brothers. Carrying a wide cross section of merchandise dates back to 1955 when their father, John McCallum, started the business using a third of the space in a small building in Pipestone.

"My dad always had a diversity of merchandise," says Mark. "He was a traveling salesman, but he was a buyer more than he was anything else. In those days the store was more automotive oriented, but he also offered everything from wristwatches to plowshares. Since then, it

really has put a stamp on our business."

Product diversity is part of the reason M&M Distributing has had only five years of declining sales in 46 years of business. Every other year has marked a sales increase. Even when the rest of the country is experiencing tough economic times, M&M has almost always been able to improve its financial footing.

"We are truly a do-it-yourself store for city slickers, for farmers and for teenagers," Mark says. "We don't carry an inordi-



M&M Distributing wants to be a store for everyone—even the children. A large bicycle department sits adjacent to an expanded toy section that has helped draw families from up to 40 miles away.

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Clothing has become an important category at M&M's three stores with sales of more than \$1 million company wide. The stores in Pipestone, Luverne and Slayton, Minn., offer men's, women's and children's casual clothing as well as work clothing and boots from name-brand manufacturers.

dents of their towns think nothing of driving that far to shop, and consumers can find Menards, Home Depot and Wal-Mart in Sioux Falls. That keeps M&M challenged to provide merchandise and pricing that will keep customers in town.

"The customers want value and quality," says John. "They're price conscious when they shop, and they really watch how they spend their money."

Knowing this, the brothers price shop the

competition in Sioux Falls often and the competition in their stores' towns regularly. In Pipestone, for example, a True Value hardware store and Pamida, which is similar to a Wal-Mart and owned by Shopco, draw the brothers' interest.

Yet M&M is diverse enough in its product selection and differentiates itself with its slant toward farming that the McCallums see these stores more as complementary rather than competition. Having those stores in town with them, they say, gives residents more options to shop and more reason to stay in town.

Hardware is M&M's top-performing department, but the rising success in other categories shows just how much the demographics in the area are changing. Farming operations in Minnesota are getting larger, which means the number of farmers is shrinking. Part-time farmers and homeowners are taking their place, but the overall population in the area is shrinking as well.

With the demographic switch, consumers have been driving up the demand for lawn and garden goods, housewares, clothing and pet food and accessories at M&M. Sales in clothing alone at the three stores have reached more than \$1 million annually because M&M offers name-brand wear such as Carhartt,

nate amount of luxury items, so we get shopped pretty hard even when times are tough because of the type of merchandise we have."

Having business loca-

tions in rural America also helps the company maintain its exclusivity, and the nearest big-box stores are an hour away in Sioux Falls, S.D. But the McCallums say resi-

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Red Wing shoes, Russell Athletic and Key and Dickie's work clothing.

Clothing buyer Linda Winter says sales of children's and women's everyday clothing is up, too, because small, niche stores that used to serve that type of customer have been disappearing. Retail apparel chains such as JC Penney's and Montgomery Ward also no longer ship mail-order catalogs to customers in that area.

The demographic changes have meant making a concerted effort to provide new products in the popular categories to drive customers through the store regularly. M&M also tries to have every product necessary to complete a project request, such as in lawn and garden.

"We're trying to be really complete beyond just having the hoes, shovels and rakes," John says. "We want to be a place where they can come in and get live plants, pick up lawn pavers and edgers and do a total project from tools to live goods. A lot of people come to us with ideas, and we try to help

fulfill that."

M&M also caters to the working customer by extending its store hours by three hours on weeknights (8 a.m. to 8 p.m.) and opening on Sundays (noon to 5 p.m.).

"The two hours from 5 to 7 p.m. are really busy here," says John. "It seems that's the way of the world. If you want to be available for people that are working, you've got to be open later."

The company's success is a testament to the importance the brothers place on constantly evaluating their product mix. John, Mark and six buyers form the purchasing team, which keeps the family owned operation intimate with good lines of communication between management and the employees on the salesfloor.

Frontline employees continually update the purchasing team on customer product requests, and John and Mark mandate their buyers to always look for new products while attending United Hardware's bi-annual buying markets in Minneapolis.

"The biggest single



If the products that fill every nook and cranny of M&M Distributing Co. weren't enough to send a message of being well-stocked, the bold, red departmental signage shows customers the numerous categories they can peruse.

issue facing our stores in all our towns is declining population," Mark says. "That's a limiting factor. You have to increase your volume with a declining population. You have to have more diversity in what you stock to try to draw more people from a greater distance.

"To that end, one of the things United has allowed us to do is sample things. We buy a lot of our stuff direct, but United allows us to take a smaller quantity of items, bring it into our inventory and see if it sells. They also provide us an opportunity to fill in our out of stocks much faster than buying direct."

United Hardware also opened the doors for M&M to bring in Cargill feed. M&M had tried to create a

deal directly with Cargill but never got in the door. United Hardware stocked the ACCO brand in the warehouse and it has since become a big success in M&M's growing pet and animal categories.

The constant product tweaking has turned M&M Distributing into a high-profit operation. The average customer transaction is \$21, which is well above the national average of \$14 at similar stores.

Several decisions over the past decade have helped improve M&M's buying and stocking process, which in turn have helped save the company thousands of dollars. The first was the consolidation of the business.

The Luverne location opened in 1965, and John



The wide variety of products at M&M Distributing include housewares, linens, bedding and blankets.

managed that store for 15 years after he graduated from college. Mark began managing the Pipestone location in 1968, and the Slayton store opened in 1978. It was then the two discussed combining the operations of the three stores to create better efficiencies. The accounting and purchasing now goes through one office, and that helped turn the company from a group of single-store entities into a complete business entity.

Receiving is handled through a 25,000-square-foot warehouse in Pipestone, where the product is logged and then distributed to the various stores.

With a centralized office, the brothers next turned to upgrading the company's technology. They started at the registers, purchasing a point-of-sale system six years ago to better track inventory and sales.

The office systems were later tied into the POS system so the buyers would have real-time inventory accounting. The buyers can track three years of sales history and forecast their buying decisions by month, by year or by season.

"We have been able to raise our turns and get a better cash position because of the technology," says John.

Both systems were then connected to a radio frequency scanning system in the warehouse, where bar code guns are used to register the

arrival of all product. It has reduced receiving errors, and invoices are the only reconciling M&M has had to do. Each store is also billed instantly with the system. The technology upgrades have allowed M&M to go virtually paperless.

"I was very worried at our size if we were going to get something that was workable," John says. "I'd heard so many horror stories of small businesses that bought computer systems and were not able to get them working the way they wanted to. I know we invested over \$100,000 to get the system operating, and I'm sure we've recouped it already."

"We feel we've got a really good system that lets us know what we're selling and replenish it rapidly. United is a component of that because every week we're ordering from them."

Another bonus to having this system is its easy adaptability. Should the McCallums decide to expand their company to more locations, the system can be readily inserted into the new stores.

M&M's short-term focus, however, is on expanding its current locations. The brothers own the property adjacent to all three stores and are considering building on to make room for even more products and categories.

"We're not done improving and growing in our markets," says Mark. "There's a lot of needs yet that we can satisfy." ●

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