

**Denise Smith Amos
of The Sentinel Staff**

For decades, the winking Scotsman gracing Scotty's Home Center signs symbolized the thumbs-up confidence of a retailer comfortably dominating the home-improvement market in Florida.

But in recent years, the Scotsman's wink has weathered turmoil in the industry and at Scotty's Inc.'s Winter Haven headquarters.

Scotty's has suffered deteriorating market share, a development hidden by annual reports detailing growing sales but revealed stalled profits and average annual store sales. The trademark wink presided over management's mostly vain attempts to break from the modus operandi of a 64-year-old company in an effort to overcome the growing threat from warehouse chains.

And, analysts say, the Scotsman's wink seemed to suggest, without disclosing, the facts behind a Belgian company's growing stake in Scotty's -- now at 42.5 percent -- and the subsequent, abrupt departure in August of some of Scotty's top management.

Now, with new leadership in place a little more than a month, Scotty's has yet to announce a major new strategy to shore up market share and boost profit. Company officials have devised a tactic for coming up with a strategy -- the creation of a prototype store within company headquarters.

Nevertheless, it is unknown if Scotty's will weather the pitfalls and disappointments of an industry reeling from saturation.

Times weren't always so tough for Scotty's. Founded in 1924 as Home Builders Supply, the company began in one store owned by E.H. Sweet, who expanded to 18 stores in the 1940s. By the time it went public in 1968 with Sweet's son, James W. Sweet, at the helm, Scotty's was one of Florida's largest home- and hardware-supplies chains.

In the early 1980s, however, Florida's fast-growing home-building market attracted out-of-state competitors and at least one out-of-country investor, GB-Inno-BM. More commonly known as the GIB Group, the Belgian retail conglomerate bought a 29.2 percent stake in Scotty's.

Shortly afterward, heavy price competition buffeted Scotty's profit as it struggled to compete against other chains expanding in Florida, including Home Depot, Handy City, Lowes Cos. and Builders Square.

The most formidable was Home Depot, an Atlanta-based chain of warehouse stores that catered to the growing do-it-yourself consumer, rather than the building-trades professionals. Home Depot's adver-

tised low-price guarantees and its football stadium-size warehouses quickly ate into Scotty's market share. The chain attempted to meet or beat Home Depot's prices and built larger stores.

But even with 49,000 square feet of space, most of Scotty's new full-line stores still could not carry the selection and depth of merchandise of the warehouses, analysts said. Scotty's gross profit margin fell -- from a high of 31.4 percent in 1984 to 27.7 percent in 1988.

"They haven't been strong enough, quick enough or clever enough to compete against Home Depot or some of the others that have made inroads into Florida," said Neal Kaplan, securities analyst with Interstate Securities Corp. in Charlotte, N.C.

At the same time, other building-supply chains frantically shifted their emphasis to the do-it-yourself market. Some, such as W.R. Grace Co.'s Handy City, didn't make it and closed stores.

But this year, things seemed to begin turning around: Scotty's profit was up 71 percent, though mostly because of accounting changes. But it was up by 8 percent without those changes. For fiscal 1988, which ended July 2, Scotty's earned \$17.5 million on sales of \$551 million.

The turnaround in profit wasn't soon enough for the GIB Group, which bought the family stock that was controlled by Sweet for more than \$2 million. The following day, Sweet abruptly retired as chairman and president Dennis W. Stults, 41, resigned, taking more than \$350,000 in severance pay and benefits. GIB's share of Scotty's grew to 42.5 percent overnight, and the Belgians quickly filled the empty slots with GIB officials and veterans of the home-supply industry.

Within a week, GIB hired Daryl L. Lansdale, formerly in charge of W.R. Grace's home-center division, as Scotty's president and P. Scott Lindner, a Scotty's boardmember who is also chairman of Lindner Industrial Machinery Co. in Lakeland, as chairman.

Robert L. Swanson, a former Lowe's Cos. merchandising executive, was appointed executive vice president of marketing. Ronald G. Rashkow, chairman of Handy Andy Home Improvement Centers Inc. (a GIB-controlled chain of 49 stores based in Schaumburg, Ill.), was appointed a director and a consultant to the company, helping to begin reformulating Scotty's strategy.

GIB's ownership of Scotty's and its new leadership almost guarantees that the chain will embark on a radically different strategy to boost its profitability, according to analysts.