

Competitive Landscape - Canada - Q4 2015

10 Aug 2015 Canada Retail

BMI View: *The retail market in Canada is very developed, both in terms of physical stores and in terms of online sales. The country is home to major retailers in fashion, groceries and home furnishings, most of which also have online retail spaces, and also sees many US companies from south of the border establishing an extensive presence. The Canadian retail market is not without challenges, as demonstrated by US based Target's recent failed expansion and the closure of the majority of fashion retailer Jacob's stores in 2014. New and existing retailers therefore need to be aware of the changing trends in this well established retail market.*

MGR

Canada's mass grocery retail market is well developed and competitive. Several large conglomerates have a large share of the market, including **Loblaw**, **Metro Inc** and **Sobeys**, a subsidiary of **Empire Company Ltd**. US retailers **Walmart** and **Costco** are also well established in the Canadian mass grocery retail sector.

Loblaw

Loblaw is the largest retailer in Canada, with over 2,300 corporate, franchised and associate owned stores across the country and some 192,000 employees. In terms of the mass grocery sector, Loblaw has over 1,050 grocery stores across the country - stores under the Loblaw group include **Atlantic Superstore**, **Dominion** (in Newfoundland and Labrador), **Extra Foods**, **Loblaws**, **Loblaw Greatfood**, **Maxi**, **Maxi & Cie**, **Provigo**, **Real Canadian Superstore**, **Loblaw Superstore**, **T&T Supermarket** and **Zehrs**. The group caters to all budget levels via its various brands. Loblaw reported a 2% increase in retail sales in 2014, with total revenue increasing by CAD10.2bn to CAD42.6bn.

Empire Company Ltd

Empire Company Ltd's wholly owned subsidiary Sobeys is the second largest grocery retailer in Canada. Sobeys has over 1,500 stores across Canada, both owned and franchised, with a presence in every province. Sobeys also has 350 retail fuel locations. Empire has expanded in recent years via acquisitions, including the 2013 purchase of **Canada Safeway** for CAD5.8bn, the CAD12.4bn purchase of **Shoppers Drug Mart Corp** in 2014 and the recently announced purchase of various food, gas and wholesale stores of Co-op Atlantic (which has a network of around 170 stores under the **Co-op**, **Valufoods**, **Village Mart** and **Rite Stop** brands). In latest interim results (the quarter ending January 31 2015) the group reported sales of CAD5,940.5mn (a decline of 1.1% attributed to store closures and lower fuel sales), EBITDA of CAD322.5mn, net earnings from continuing operations of CAD120.3mn and net earnings from investments and other operations of CAD28.1mn.

Metro Inc

Metro Inc is based in Quebec, and is the third largest retailer (after Loblaw and Sobeys) in Canada. The group's stores are concentrated in Ontario and Quebec, where it has over 600 stores. Brands under the Metro Inc group include Metro, **Metro Plus** (345 stores, including 109 Metro Plus stores in Quebec), **Food Basics** (122 locations in Ontario), **Marché Richelieu** (69 stores in Quebec) and **Super C** (88 stores catering to the budget sector). Metro Inc also has smaller specialised markets and convenience stores. The group is off to a strong start in 2015, with sales of CAD2,707.1mn (up 6.0%) and net earnings of CAD111.6mn (up 15.2%).

Walmart Canada

US based Walmart is relatively well established in Canada, following the 1994 acquisition of **Woolco**. Walmart Canada is now headquartered in Mississauga, Ontario, and the group has around 90,000 employees and around 390 stores in Canada, including discount stores, supercentres and an environmental demonstration stores. Walmart Canada had a 6% market share in 2013, estimated to have increased to over 10% in 2014.

Costco

Costco is the fourth biggest grocery retailer in Canada in terms of sales, though it has fewer stores than Walmart at present. The company has around 88 stores/warehouses across Canada and is growing rapidly, increasing its market share from 5.3% in 2008 to 8.1% in 2013 when it announced it would be opening 25 new warehouses in the coming years, including eight new locations due to open in 2015. The discount store has over 10mn members in Canada, with a retention rate consistently over 85%.

Fashion

Clothing and footwear comprises a relatively small proportion of household consumption in Canada, with greater spending seen on household goods and recreation. The country is home to several well-known fashion retailers, as well as many US brands (both in physical locations and on-line based retailers).

Reitmans (Canada) Ltd

Reitmans is one of the largest fashion retailers in Canada. The group started off as a department store in the early 1900's in Montreal. Since then the group has expanded in the fashion industry and now owns a number of leading fashion brands. These include the flagship Reitmans brand, with 343 stores across Canada offering women's fashion. **Penningtons** (141 stores) and **Addition Elle** (105 stores) cater to the plus-size market. **RW&CO** offers higher end fashion from 79 stores in premium locations in major shopping malls - targeting the urban market. **Thyme Maternity** is a maternity clothing store - there are 68 stand alone stores and 21 Thyme shops in **Babies"R"Us** stores. Finally **Smart Set** is focused on younger women's fashion, with around 107 stores. In 2014

the group reported CAD960mn of sales, a slight decline on 2013, with net earnings down more than 50% to CAD10.8mn.

Roots

Roots is one of the most well known Canadian fashion brands. The company was set up in 1973, and since then has expanded rapidly. Roots now has over 220 retail stores, located in Canada, the US, China and Taiwan (120 in Canada and the USA and 100 in China and Taiwan). It is known for its products: Roots Genuine Leather, Roots Athletic, Roots Kids, Roots Baby and Roots Home. The group has around 1,500 employees and is headquartered in Toronto. Roots is a privately owned company.

BEDO

BEDO is a high end fashion retailer based in Montreal. The company caters to the fast moving younger fashion sectors, with a strategy of releasing six new collections each year to maximise store turnover. BEDO was established in 1975 and has grown since then to now have 20 stores in Canada, and around 300 employees. Most stores are located within mainstream shopping malls or in city centres. The group is expanding via franchises.

Harry Rosen

Harry Rosen is a leading, high end, men's fashion retailer. The company was established in Toronto in 1954. Since then the company has grown to now occupy 17 stores (two of which are outlet stores) in 8 major Canadian markets including Montreal, Ottawa, Calgary and Vancouver with over 700 employees. As well as bespoke tailor made clothing, Harry Rosen also carries leading designers such as **Ermenegildo Zegna, Hugo Boss, Burberry, Ralph Lauren, Dolce and Gabbana** and **Tom Ford**. The company also has an online retail business.

Le Chateau

Le Chateau is a Canadian men's and women's fashion retailer, with 221 stores across the country, employing some 2,500 people. Le Chateau has also expanded overseas, with five stores under licence in the Middle East. The group reports that around 35% of its clothes are produced domestically in Canada. The group is in the midst of renovating its stores, with 5 due to be refurbished in 2015. Third quarter 2015 results were subdued, with sales down 11.1% to CAD58.4mn, which the company attributed to reduced footfall and an increase in spending on promotion and marketing.

The TJX Companies

TJX is a US based fashion retailer that has grown to have a presence in the US, Europe and Canada. TJX Canada operates under three banners: **Winners** offers low cost fashion for men, women and children as well as homeware and beauty products - there are around 230 Winners stores in Canada. **Marshalls** is less well established, with around 27 stores, offering brand name clothing at discounted prices. Finally **HomeSense** is a budget home fashion chain, with around 91 stores. Long term TJX Canada aims to expand to around 450 stores, 100 of which will be under the Marshalls brand.

Department Stores

Department stores are a popular concept in Canada, with several well established domestic chains present such as **Hudson's Bay**, as well as strong (and in many cases expanding) representation for leading US based department stores including **Saks**. **Nordstrom** is also expanding in the market, with new stores recently opened and plans for four more.

Hudson's Bay Company (HBC)

HBC owns and operates three major department store chains: Hudson's Bay (**The Bay**), **Lord & Taylor** and **Saks Fifth Avenue**. Hudson's Bay has a long history in Canada, and expanded in the department store sector with the 2013 acquisition of Saks for CAD2.4bn. There are 90 Hudson Bay stores in Canada, as well as two outlet stores and an online store. Lord & Taylor has 50 stores in the USA (and four outlet stores) while Saks has 39 stores and **Saks Fifth Avenue OFF 5TH** has 79 stores (in the USA). HBC also owns **Home Outfitters**, which has 67 locations across Canada. HBC plans to expand the Saks brand into Canada, with two Saks Fifth Avenue department stores due to open in Toronto in 2016 and plans to develop a further five Saks Fifth Avenue stores and up to 25 OFF 5TH stores in Canada over the longer term. HBC reported sales of CAD8.2bn in 2014.

Sears Canada

Sears Canada was established in the 1950s under a partnership with the US based company. Sears Canada has since grown to become one of the leading department stores in Canada, with 113 department stores as well as 47 **Sears Home** stores and 11 Outlet stores served by around 19,000 employees. Sears Canada also has 217 locally-owned **Hometown Dealer Stores** in smaller rural communities. Sears Canada has annual revenues of around CAD3.42bn (in 2014) and also has an extensive catalogue business - issuing to 3mn households and served by 1,300 pick-up locations.

Holt Renfrew

Holt Renfrew was established in 1837 as a hat shop - since then the company has expanded to run nine department stores across the country. Holt Renfrew caters primarily to the high end fashion market and luxury retail. In order to tap into the mid-range market, Holt Renfrew launched **hr2** - stores which offer menswear, women's fashion and accessories. In 2014 the company launched Holt Renfrew Men - stores which cater to the premier luxury men's fashion market, including bespoke tailoring and luxury brands. In late 2014 Holt Renfrew announced it would be investing CAD300mn in expanding and updating its network of stores. Holt Renfrew is owned by **Selfridges Group Limited**.

Macys

US based **Macys**, established in 1858, has an extensive presence in Canada, with 33 stores across the country (Macys has 885 stores in the US, including stores under the **Bloomingdale** brand). Parent company Macys Inc reported group sales of USD28.1bn in 2014 and in early 2015 reported its first

acquisition for a decade, the purchase of **Bluemercury** (a US beauty products and spa services retailer) for USD210mn, expanding the store portfolio by 62. Women's clothes, accessories and shoes account for over 60% of sales in Macys, with menswear accounting for around 23% and home furnishings the remainder.

Homeware and Hardware

Canada has several competitive domestic homeware and hardware chains, and as with other sectors of the retail market, is also home to leading US based firms.

Leon's Furniture Limited

The first **Leon's** store was opened in Welland, in Southern Ontario, in 1909. It is now one of the largest retailers in Canada, offering a wide range of products including furniture, major appliances and home electronics. Leon's expanded in 2013 via the acquisition of rival company **The Brick** for CAD700mn. There are now 80 stores under the Leon's brand, 202 under The Brick, and a further 20 stores under local brands. Leon's reported positive financial growth over 2014, with sales of CAD2.35bn (CAD374mn in franchise sales). Net income increased 10.4% to CAD75.5mn.

Kitchen Stuff Plus

Kitchen Stuff Plus was established in 1987 and is now one of the leading discount retailers in Canada in the homeware and hardware sector. The company opened its 14th store in 2014, located in Markham. Other store locations include Liberty Village in Toronto, Hamilton and Etobicoke. The company offers over 10,000 products, including kitchen appliances, bake and cookware, home accessories, furniture and bathroom supplies.

Home Depot Canada

Home Depot Inc is one of the largest US retailers, and subsidiary Home Depot Canada has a strong presence in Canada. The company has 180 stores across the country, with an average store size of more than 100,000 square feet, stocking up to 40,000 products. Home Depot Canada also offers installation services and tool hire. Parent company Home Depot Inc reported retail sales of USD83.2bn in 2014, with earnings of USD6.3bn.