

**Retail Trade**

HD9505  
.C3  
I5  
1990-91  
R3 c.2

IC

I  
N  
D  
U  
S  
T  
R  
Y  
  
P  
R  
O  
F  
I  
L  
E



Industry, Science and  
Technology Canada

Industrie, Sciences et  
Technologie Canada

## Business Service Centres / International Trade Centres

Industry, Science and Technology Canada (ISTC) and International Trade Canada (ITC) have established information centres in regional offices across the country to provide clients with a gateway into the complete range of ISTC and ITC services, information products, programs and expertise in industry and trade matters. For additional information contact any of the offices listed below.

### Newfoundland

Atlantic Place  
Suite 504, 215 Water Street  
P.O. Box 8950  
ST. JOHN'S, Newfoundland  
A1B 3R9  
Tel.: (709) 772-ISTC  
Fax: (709) 772-5093

### Prince Edward Island

Confederation Court Mall  
National Bank Tower  
Suite 400, 134 Kent Street  
P.O. Box 1115  
CHARLOTTETOWN  
Prince Edward Island  
C1A 7M8  
Tel.: (902) 566-7400  
Fax: (902) 566-7450

### Nova Scotia

Central Guaranty Trust Tower  
5th Floor, 1801 Hollis Street  
P.O. Box 940, Station M  
HALIFAX, Nova Scotia  
B3J 2V9  
Tel.: (902) 426-ISTC  
Fax: (902) 426-2624

### New Brunswick

Assumption Place  
12th Floor, 770 Main Street  
P.O. Box 1210  
MONCTON, New Brunswick  
E1C 8P9  
Tel.: (506) 857-ISTC  
Fax: (506) 851-6429

### Quebec

Tour de la Bourse  
Suite 3800, 800 Place Victoria  
P.O. Box 247  
MONTREAL, Quebec  
H4Z 1E8  
Tel.: (514) 283-8185  
1-800-361-5367  
Fax: (514) 283-3302

### Ontario

Dominion Public Building  
4th Floor, 1 Front Street West  
TORONTO, Ontario  
M5J 1A4  
Tel.: (416) 973-ISTC  
Fax: (416) 973-8714

### Manitoba

8th Floor, 330 Portage Avenue  
P.O. Box 981  
WINNIPEG, Manitoba  
R3C 2V2  
Tel.: (204) 983-ISTC  
Fax: (204) 983-2187

### Saskatchewan

S.J. Cohen Building  
Suite 401, 119 - 4th Avenue South  
SASKATOON, Saskatchewan  
S7K 5X2  
Tel.: (306) 975-4400  
Fax: (306) 975-5334

### Alberta

Canada Place  
Suite 540, 9700 Jasper Avenue  
EDMONTON, Alberta  
T5J 4C3  
Tel.: (403) 495-ISTC  
Fax: (403) 495-4507  
  
Suite 1100, 510 - 5th Street S.W.  
CALGARY, Alberta  
T2P 3S2  
Tel.: (403) 292-4575  
Fax: (403) 292-4578

### British Columbia

Scotia Tower  
Suite 900, 650 West Georgia Street  
P.O. Box 11610  
VANCOUVER, British Columbia  
V6B 5H8  
Tel.: (604) 666-0266  
Fax: (604) 666-0277

### Yukon

Suite 301, 108 Lambert Street  
WHITEHORSE, Yukon  
Y1A 1Z2  
Tel.: (403) 668-4655  
Fax: (403) 668-5003

### Northwest Territories

Precambrian Building  
10th Floor  
P.O. Bag 6100  
YELLOWKNIFE  
Northwest Territories  
X1A 2R3  
Tel.: (403) 920-8568  
Fax: (403) 873-6228

### ISTC Headquarters

C.D. Howe Building  
1st Floor East, 235 Queen Street  
OTTAWA, Ontario  
K1A 0H5  
Tel.: (613) 952-ISTC  
Fax: (613) 957-7942

### ITC Headquarters

InfoExport  
Lester B. Pearson Building  
125 Sussex Drive  
OTTAWA, Ontario  
K1A 0G2  
Tel.: (613) 993-6435  
1-800-267-8376  
Fax: (613) 996-9709

## Publication Inquiries

For individual copies of ISTC or ITC publications, contact your nearest Business Service Centre or International Trade Centre. For more than one copy, please contact

#### For Industry Profiles:

Communications Branch  
Industry, Science and Technology  
Canada  
Room 704D, 235 Queen Street  
OTTAWA, Ontario  
K1A 0H5  
Tel.: (613) 954-4500  
Fax: (613) 954-4499

#### For other ISTC publications:

Communications Branch  
Industry, Science and Technology  
Canada  
Room 208D, 235 Queen Street  
OTTAWA, Ontario  
K1A 0H5  
Tel.: (613) 954-5716  
Fax: (613) 954-6436

#### For ITC publications:

InfoExport  
Lester B. Pearson Building  
125 Sussex Drive  
OTTAWA, Ontario  
K1A 0G2  
Tel.: (613) 993-6435  
1-800-267-8376  
Fax: (613) 996-9709

**Canada**

1990-1991

**RETAIL TRADE****FOREWORD**INDUSTRY, SCIENCE AND  
TECHNOLOGY CANADA

LIBRARY

DEC 16 1991

BFGJ  
BIBLIOTHÈQUE  
INDUSTRIE, SCIENCES ET  
TECHNOLOGIE CANADA

*In a rapidly changing global trade environment, the international competitiveness of Canadian industry is the key to growth and prosperity. Promoting improved performance by Canadian firms in the global marketplace is a central element of the mandates of Industry, Science and Technology Canada and International Trade Canada. This Industry Profile is one of a series of papers in which Industry, Science and Technology Canada assesses, in a summary form, the current competitiveness of Canada's industrial sectors, taking into account technological, human resource and other critical factors. Industry, Science and Technology Canada and International Trade Canada assess the most recent changes in access to markets, including the implications of the Canada-U.S. Free Trade Agreement. Industry participants were consulted in the preparation of the profiles.*

*Ensuring that Canada remains prosperous over the next decade and into the next century is a challenge that affects us all. These profiles are intended to be informative and to serve as a basis for discussion of industrial prospects, strategic directions and the need for new approaches. This 1990-1991 series represents an updating and revision of the series published in 1988-1989. The Government will continue to update the series on a regular basis.*



Michael H. Wilson  
Minister of Industry, Science and Technology  
and Minister for International Trade

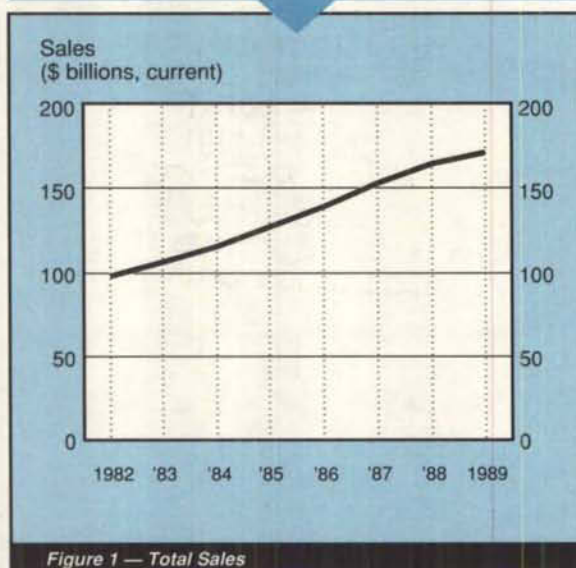
**Structure and Performance****Structure**

The Canadian retail industry, a progressive, highly innovative sector, is primarily engaged in selling consumer goods and related services, such as installation and repair, through stores to the general public. Large retail firms also tend to operate their own warehouse facilities and, in some instances, have manufacturing operations for the production of private-label goods.

In 1989, over 220 000 retail establishments generated \$172.7 billion in sales (Figure 1). They provided employment for 1.62 million Canadians, about 12 percent of the employed labour force. These figures do not include the non-store segment of retailing: vending, mail-order, electronic shopping and other forms of direct selling. Precise data are not available, but the combined sales of the non-store retail businesses were estimated at approximately \$5 billion in 1989. Retail gross domestic product (GDP) constitutes 6.4 percent of real GDP.

The size of retail firms varies greatly. The majority are small, owner-managed businesses, but the largest firms have the major share of sales. Historically, over 90 percent of all retail firms have had annual sales under \$2 million. These firms have generated a third of total retail sales while the large retailers were responsible for the balance of sales. The department store and food sectors are dominated by chains with annual sales ranging from one billion to several billion dollars. A growing number of specialty chains have annual sales in the hundreds of millions of dollars and some have reached a billion dollars or more. In 1987, there were 1 308 retail chains in Canada with four or more outlets. Of these, 81 chains operated 16 552 stores and had sales of \$100 million or more.

Retailing also includes some very large franchises, voluntary groups and co-operative organizations. These are distinct organizational forms. Franchising is a form of licensing in which one company grants another the right to market a product or service and to utilize a particular



trademark — for example, Shoppers Drug Mart. A voluntary group is composed of independent businesses joined together on a horizontal basis for the purpose of benefiting from a common name, shared services and bulk purchasing. Voluntary groups vary somewhat in the way they operate and sometimes include franchised businesses. National Grocers, for example, serves as a wholesaler for retailers in groups, including Your Independent Grocer, FreshMart and Mr. Grocer. Co-operatives are organizations in which individual members are shareholders, and each co-operative is controlled by its members. Co-operatives may vary in size from single outlets to multiple nation-wide or regional groups of outlets, such as Home Hardware. Some, like Federated Co-operatives, serve retailers as well as consumers.

Retail businesses are located in all regions of Canada; regional distribution of sales and employment (Figure 2) is closely tied to the size, density and income of the population. In 1989, Ontario (38 percent of total retail sales) was the largest market, followed by Quebec (25 percent) and British Columbia (12 percent).

The distribution of sales by major retailing subsector in 1989 is shown in Table 1.

In the 15 years following 1970, retail sales by the Canadian outlets of foreign-controlled firms fell from 21 percent to 12 percent. The decline in foreign ownership in this period was due to the "Canadianization" of such major firms as Loblaw Companies and Hudson's Bay and to faster growth of the specialty-store segment, which is predominantly Canadian-controlled. About two-thirds of the sales

of foreign-controlled firms came from the food (18 percent) and department store (28 percent) subsectors.

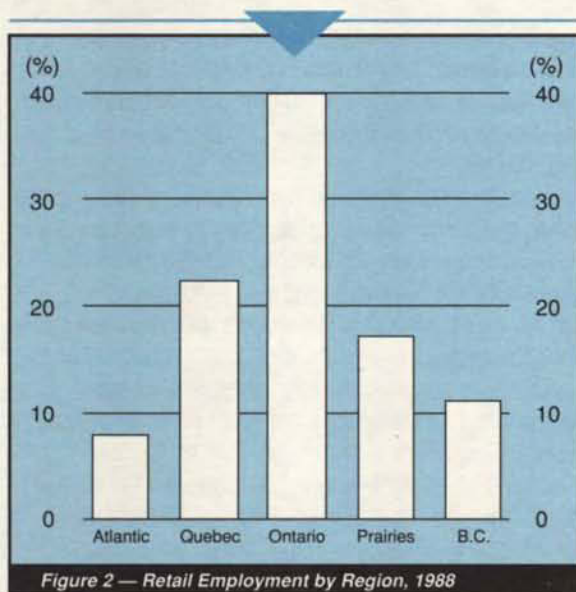
Although it has traditionally been a domestically oriented industry, retailing is now international in nature. Canadian retailers are engaged in direct foreign expansion activities as well as in franchising and the exporting and importing of goods. Major retailers are involved in exporting and importing products, especially "product of own manufacture" and private-label products supplied both to stores they own and to other stores. While comprehensive information on the current import activities of retailers is not available, they are significant importers of consumer goods such as clothing (\$510 million in 1988), footwear and food products.

To improve competitiveness through better price and product selection, some Canadian department stores have joined international buying groups. Other firms join forces with their U.S. counterparts when they are sourcing in overseas markets.

More than 40 Canadian retailers, particularly food retailers and specialty chains, have expanded internationally, mainly through acquisitions and primarily in the United States. Major firms with significant foreign operations in locations other than the United States include Bata, the Canadian footwear multinational which has extensive manufacturing and retail operations in many countries, and Weston, which is the major shareholder of Loblaw Companies and also controls food and department store operations in the United Kingdom and Germany. The automotive and specialty stores sectors are increasingly influenced by both U.S. and European franchise concepts.

Table 1 — Distribution of Sales, 1989

Subsector	Sales (%)
Automotive	35.0
Food	23.6
General merchandise	11.9
Other stores	7.5
Hardware and home furnishings	7.2
Apparel and accessories	6.4
Pharmacies and cosmetics	4.7
Liquor, wine and beer	3.7
Total retail sales	100.0



The 1987 sales by Canadian retailers in the United States were estimated at about C\$7 billion. While some firms, Loblaws for example, have been quite successful, U.S. expansion has been difficult for others, notably Dylex and Canadian Tire. Many have found that their Canadian retail methods do not always work in the United States, which is very competitive and culturally and regionally diverse. Foreign retailers have experienced comparable difficulties in penetrating the Canadian retail market.

### Performance

The retail industry is highly dependent on the health of the economy and the growth of population, employment and income. Retail sales declined significantly in real terms during the early 1980s, but demonstrated strong growth led by sales of consumer durables for most of the rest of the decade. In real terms, annual sales increases have ranged between 4.5 percent and 8.2 percent during the period from 1983 to 1988.

Although sales strengthened consistently after the 1981–1982 recession, it was only in early 1989 that profits returned to pre-recession levels. The balance sheets of retailers then showed some improvement with a decline in their debt-equity ratio and reduced reliance on debt financing. Return on equity at the retailing industry level has been comparable over time with that of the manufacturing industry.

As shown in Table 2, the annual growth in retailing GDP (1981 dollars) has been above the average for all industries.

In the late 1970s and early 1980s, the retail industry experienced poor productivity as a result of overcapacity and insufficient attention to cost control and inventory management. Increased emphasis has since been placed on improving the sales and efficiency of existing stores by applying better selling techniques; using space more efficiently; closing old or outmoded stores; and increasing the use of such technology as electronic point-of-sale systems, debit and payment systems, computerized inventory control and automated distribution centres. All of these measures are aimed at increasing efficiency and sales per outlet.

Capital investments by retailers increased in real terms in the years immediately following the 1981–1982 recession despite poor profit levels and the need to assume additional debt. To improve their competitiveness, many companies launched programs to upgrade and modernize their outlets. Investment levels further increased in the latter part of the 1980s and were frequently associated with the expansion of existing shopping centres and investments in regions of strong economic growth. Some overbuilding may have occurred.

The Canadian retail industry is following the successful U.S. trend to larger stores offering a wider variety of products and services. Retailers in such sectors as food, drugs, electronics and home improvements invested in large warehouse or discount outlets (superstores) to increase sales and market share. These adjustments also are being driven by the demands of an increasingly particular clientele. Affluent middle-class customers are getting older and demanding better service.

Retail sales per square metre are generally higher in regional and community shopping centres in Canada than in the United States. Rental costs also are higher: they run as much as 50 percent higher for specialty stores, according to industry sources. This higher rent places pressure on margins and encourages Canadian specialty retailers to downsize their stores to improve productivity. In the United

Table 2 — Retail Growth

(Percentage compared with average annual growth in real GDP)

	Retail	All industries
1971–1980	4.8	3.9
1981–1987	3.9	2.9
1988	4.7	4.4



States, there is more retail space per capita and there are more sales made outside shopping centres; these factors promote more competition and lower rents but result in lower sales per outlet.

## Strengths and Weaknesses

### Structural Factors

Retailing has traditionally been a domestically based service sector. As such, its strengths and weaknesses can be appropriately assessed by measuring its efficiency and effectiveness in performing its role in the Canadian economy and its relative efficiency with respect to similar industries in other countries. Direct international competition is relevant only where foreign-based retailers sell into Canada. Key factors that determine the effectiveness of participants in the sector are marketing skills, capacity for innovation and ability to meet consumer demands for price, service, convenience and product.

The retail industry is characterized by strong competition in a marketplace where there are a high number of failures, many new entrants, and constant innovation by large and small firms. Consumers demand that retailers constantly demonstrate their responsiveness to changing trends.

The Canadian retail industry is progressive in retail practices and techniques. This progressiveness may, in part, reflect the fact that the industry in Canada is more concentrated and chains are more nationally oriented than in the United States where the focus is more localized. The preponderance of manufacturing in Central Canada and Canada's small population and large geographic size have fostered the emergence of large and efficient retail organizations, such as Canadian Tire, Loblaws and Shoppers Drug Mart, which are held in high regard by foreign retailers.

The industry is continuing to evolve. In the 1980s, retailers of general merchandise lost market share to specialty chains, which were more successful at targeting particular markets and satisfying consumer needs. Canadian department stores, whose sales revenue per square metre is comparable with or slightly below U.S. levels, have attempted to duplicate the strategy used by their American counterparts several years ago to recover from a similar loss of market share. They have been rationalizing corporate operations, repositioning stores and upgrading management in an effort to improve their efficiency and profits. Despite these efforts, the department stores' share of retail sales has declined since 1980. This decline could be explained by their emphasis on apparel sales at a time when clothing sales in general declined, as did the

share of total sales taken by specialty stores. Two trends should continue in the coming years: diversification by expanding into the specialty-store sector and more targeted merchandising. These trends may help department stores' bottom lines.

The Canadian retail food industry is very efficient. Its sales per square metre are comparable with or above U.S. levels. Loblaws, Overwaitea and other Canadian-owned firms have been leaders in introducing new, more efficient and profitable retail concepts in Canada, such as the large warehouse food stores, which are very popular in Western Canada. Traditional supermarkets have had to adapt to increased competition from such outlets and from other types of retail outlets offering better prices or service. A large proportion of independent food retailers belong to franchised and voluntary groups, such as IGA, that are backed by large Canadian wholesalers. This has enabled them to be very efficient and, consequently, to gain market share during the 1980s.

The specialty store segment of the industry (drugs, furniture, sporting goods, hardware, etc.) is performing very well in Canada, with the exception of clothing stores, which have shown a weak performance. Successful retailers have taken a strategic marketing stance, targeting a specific age or income level in an effort to differentiate themselves from their competitors. Having recognized that it is no longer possible to appeal to the whole market, they have focused their attention on particular segments of the market. Most types of specialty retail stores have levels of sales per square metre that equal U.S. standards and frequently surpass them by a significant margin. Higher productivity and the successful targeting of customers are factors behind the good Canadian performance. However, the specialty group has lost some momentum in the last few years because of such factors as high rent, overexpansion (as a result of the need to meet the competition with a larger number of outlets), and the lack of qualified personnel.

Although certain areas of retailing, such as those dominated by large outlets and retail organizations, are characterized by high entry costs, many others have low capital requirements. This contributes to the high proportion of small, owner-managed businesses whose competitive strength is based on their ability to fill niches in which larger retailers have little interest. To offset the volume-buying of their larger competitors, they can provide personalized service, accept lower profit margins or join a buying group. Small retailers often experience problems due to lack of management expertise and difficulty in securing financing. As a result, they are generally more sensitive to economic downturns. Franchising has become increasingly attractive because it provides the opportunity to compete with large



corporate retailers. A franchise can provide an independent business operator with a recognized brand name, a market strategy, collective buying power and the benefits of broad advertising exposure as well as ongoing support and advice from the franchisor. Small, independent firms that are unaffiliated with a franchised or voluntary group are losing market share in retailing. This trend is expected to continue.

Canada has not experienced the level of growth in non-store retailing or direct marketing that has occurred in the United States and some European countries. This is due, to some degree, to differences in consumer attitudes and the structure of the retail industry in Canada. In the United States, direct marketing and mail-order catalogue operations are more developed and sophisticated and can compete directly with retailers. Canadian retailers are now demonstrating much more interest in direct marketing, but need to develop greater expertise in this area, as competition — domestic and foreign — in the area is expected to increase. Direct marketers, having achieved growth at rates ranging between 1.5 percent and 8.4 percent in recent years, reached \$2.7 billion in sales in 1987.

Electronic home shopping also is more advanced in the United States. The emerging home-shopping sector in Canada faces a disadvantage that is especially acute along the Canada-U.S. border. Canadian government regulations permit only still pictures of the products to be shown; in contrast, active product demonstrations are permitted on U.S. television.

Although the Canadian retail industry experiences little direct competition from foreign retailers, Canadian retailers located near the Canada-U.S. border are feeling the impact of increased competition from their U.S. counterparts. Canadians are crossing the border in increasing numbers to shop in the United States. Cross-border shopping trips doubled to 52 million trips from 1986 to 1990, principally because of a growing gap between Canadian and U.S. prices on some products. These shopping trips are of great concern to retailers in Canadian border communities and to their suppliers and wholesalers who are also being affected as cross-border shopping continues to escalate.

The retail industry is a major employer and an important access route for new job-market entrants. It is also a key employer of part-time labour and employees with limited skills who have traditionally been drawn from the youth segment of the labour force. As the labour force ages and the number of 15 to 22 year olds declines, shortages are starting to appear. At the same time, the industry is demanding increasing sophistication in its employees. These changes present the industry with challenges in the development of more rewarding jobs and an effective labour

force. Retailers who invest in human capital by developing a well-trained and motivated labour force, retail professionalism and management capabilities will be at a competitive advantage in the marketplace.

### **Trade-Related Factors**

Trade restrictions, such as duties and quotas, can have a significant negative impact on retailers by restricting their access to sources of supply. Such factors can have the effect of limiting the types of retail outlets and the nature and degree of competition in the industry. For example, retailers who have expanded into other countries may be prevented from obtaining goods from their domestic sources of supply. This can be a very significant impediment for unique retail concepts and franchises that have been built around particular product lines or systems and may inhibit their competitiveness.

The Canada-U.S. Free Trade Agreement (FTA) contains a number of elements of significance to retailers. Removal of tariffs and other barriers (such as the elimination of the used-car embargo); easier temporary entry of business persons; and "national treatment" in the establishment, acquisition or sale of businesses will indirectly affect competition in retailing. These provisions, which strengthen access to the U.S. market, are particularly important for Canadian retailers because of the limited size of the Canadian market. In the future, more Canadian retailers will look to the United States and other countries for expansion opportunities. The FTA, the increasingly open international trading system negotiated through the General Agreement on Tariffs and Trade (GATT) and the economic unification of the European Community market after 1992 are important to retailers. The reduction or elimination of tariffs and other barriers in order to promote international trade will have a positive impact on the competitive performance of our retail industry domestically and internationally.

### **Technological Factors**

In the past, innovations in retailing tended to be institutional and organizational rather than technological in nature. However, in the 1990s, it will be the effective use of information and information technologies that will provide the retailer with a competitive edge. Innovations such as bar-coding, debit cards, electronic data interchange (EDI), direct product profitability analysis and computer-aided management systems will significantly affect the nature and scope of competition within the industry and the way business is carried on. The combined impact of these developments presents retailers with a real opportunity to improve efficiency and profitability. Such innovations have



the potential to promote stronger linkages between retailers and domestic manufacturers, improving the competitive position of both industries. The potential is not always realized, however, because the limited resources available within the industry trade associations for promoting wide use of new retail technologies and techniques restrict the progress that can be made in this regard.

The use of information technology in retailing, in particular automated point-of-sale and inventory-control systems, has been steadily increasing. Large chain and department stores have been the trendsetters. Declining costs, software innovations and efforts to adopt a standard computer-readable product identification system (Universal Product Code) are encouraging smaller retailers to enter the computer age.

Retail firms in Canada lag behind firms in the United States in the rate at which they adopt technology, mainly because of the larger size of the U.S. marketplace and of some U.S. retailers. As the technology is proven successful, Canadian retail firms closely follow the U.S. lead. Based on 522 responses to a survey of retail firms with more than 20 employees, conducted by the federal government in March 1989, the most widely used information technology applications were for financial systems (used by 83.5 percent), computerized inventory control (66.3 percent), computerized order entry (61.5 percent) and point-of-sale terminals (46.9 percent). The use of EDI applications is relatively low at 15.5 percent, but an additional 13 percent of surveyed firms were planning to introduce this technology in the next three years.

### **Other Factors**

Currently, general tax reform and the goods and services tax (GST) are of particular importance. The initial phase of tax reform has had a positive impact on the financial position of retailers; both personal income tax rates and the effective corporate tax rate for retailers have declined. However, the sector is still adjusting to the impact of the GST on consumer buying patterns.

Since its implementation at the federal level, trucking deregulation has provided retailers with opportunities for transportation cost reductions and efficiency improvements. However, the industry remains concerned that some provinces may not proceed with certain aspects of deregulation. This will inhibit the potential gains in efficiency and in competitiveness for transportation users.

## **Evolving Environment**

Real growth in retail sales in 1989 was only 0.4 percent, compared with 4.1 percent in 1988 and 6 percent in 1987. The marked slowdown in the auto sector and the decline in new home construction have, by their importance in the economy, contributed to this downward trend, particularly in the food, department store and apparel sectors.

The period between 1990 and 1992 is expected to be one of weaker growth. In the first half of 1990, retail sales declined by 1 percent in real terms. Furthermore, weak recovery from the recession in both the United States and Canada will retard the growth of retail sales to both Canadians and U.S. tourists.

For the most part, this report analyzes the pressures likely to cause long-term structural changes in retail trade. Industries are also subject to the pressures generated by short-term economic cycles. At the time of writing, the Canadian and American economies were showing signs of recovering from a recessionary period. During the recession, companies in the industry generally experienced reduced demand for their outputs, in addition to longer-term underlying pressures to adjust. In some cases, the cyclical pressures may have accelerated adjustments and restructuring. With the signs of recovery, though still uneven, the medium-term outlook will correspondingly improve. The overall impact on the industry will depend on the pace of the recovery.

In the longer term, changing demographics will have a major impact on retailing. Despite slow growth in Canada's population, a significant increase by 1994 in the number of people in the high-spending 35-to-49-year-old age bracket bodes well for retailing. It will provide a stimulus for the sale of consumer durables and household-related furnishings. As a result, growth within the industry is expected to continue to outperform the overall economy at least until the mid-1990s.

Retail competition is currently intensifying. Today's consumers are better educated, more sensitive to price-value relationships, more discriminating and more individualistic in tastes than any previous generation. The growth of the population and real personal disposable income have both slowed. These factors, combined with the emergence of new store formats, point to increased competition and a requirement for better marketing and planning to position stores to meet special interests.



Under the FTA, the elimination of tariffs and other barriers to trade will continue to provide Canadian and U.S. retailers with opportunities for broader North American sources of supply and lower product prices. It may also encourage more cross-border investment by retailers in both countries. This will facilitate the flow of new retail concepts, such as large warehouse stores specializing in single-product lines. Trends such as increased cross-border shopping, more catalogue and direct mail order sales, and longer hours of operation are intensifying the competitive environment. In the long term, the FTA is expected to increase overall economic activity in Canada and thus provide an additional stimulus to retail sales and employment growth in the industry.

For further information concerning the subject matter contained in this profile or in ISTC sectoral studies (see page 11), contact

Service and Construction Industries Branch  
Industry, Science and Technology Canada  
Attention: Retail Trade  
235 Queen Street  
OTTAWA, Ontario  
K1A 0H5  
Tel.: (613) 954-2962  
Fax: (613) 954-3107

## Competitiveness Assessment

The Canadian retail industry is progressive, dynamic and well-positioned to meet the demands of the Canadian market. It compares well with its counterpart in the United States. Understanding and managing change are the major challenges facing retailers today. More sophisticated management, sound financing, better-trained employees, improved customer services, continued investment in domestic and foreign market research, clear focus on particular market segments, new store formats, computerized inventory control and better information systems will be important factors in meeting these challenges.

Large retail organizations, which dominate sales within the industry, have the resources to meet these challenges. Small, unaffiliated firms will face greater difficulties. Among those difficulties will be increased competition from large retail organizations who will move into the mid-sized and smaller markets, which small firms have previously dominated. Opportunities will always exist for innovative, aggressive independents to carve out niches and expand. Focusing on specialty markets or joining a franchised or voluntary group are two of the means that may assist in this process.

The globalization of markets and the freer trade environment that will result from the FTA and the current Uruguay Round of the GATT negotiations will have an overall beneficial impact on the retail industry by broadening sources of supply, facilitating the freer flow of goods and innovations and encouraging domestic and international competition.



## PRINCIPAL STATISTICS<sup>a</sup>

	1973	1982	1983	1984	1985	1986	1987	1988	1989
Establishments <sup>b</sup>	N/A	161 369	169 116	169 862	178 257	186 928	206 349	223 076	N/A
Employment	955 000	1 367 000	1 376 000	1 441 000	1 489 000	1 522 000	1 567 000	1 602 000	1 623 000
Sales <sup>c</sup> (\$ billions)	31.4	97.6	106.2	116.0	128.4	140.1	153.7	165.1	172.7
GDP <sup>d</sup> (% of total)	N/A	6.2	6.3	6.3	6.3	6.4	6.4	6.4	6.4

<sup>a</sup>Statistical data were obtained from Statistics Canada and include information on only the store segment of retailing industry groups 601 to 659 inclusive.

<sup>b</sup>Excludes owner-operated stores with no paid employees.

<sup>c</sup>Does not include non-store retail activities.

<sup>d</sup>Based on constant 1981 \$.

N/A: not available

## FINANCIAL STATISTICS

	1973	1982	1983	1984	1985	1986	1987	1988	1989
Expenditures (constant 1981 \$)									
Capital (\$ millions)	1 008.4	1 222.0	1 274.0	1 421.7	1 338.4	1 354.8	1 665.2	1 725.2	1 953.9
Repair (\$ millions)	204.7	319.0	377.8	379.9	351.4	318.5	487.5	492.1	524.5
Profitability <sup>a</sup>									
After tax, on total income (%)	1.7	1.3	1.7	1.9	1.6	2.2	1.0	N/A	N/A
Capital employed (%)	8.2	6.8	8.5	9.5	8.0	10.8	4.8	N/A	N/A
Equity (%)	10.0	9.6	11.7	12.9	11.0	14.3	6.7	N/A	N/A
Sales-to-inventory (times)	7.1	6.7	6.9	6.8	6.5	6.4	6.3	N/A	N/A
Long-term debt/equity (%)	18.0	34.8	32.2	29.9	31.3	27.5	33.4	N/A	N/A
Salary-to-operating expenses <sup>b</sup> (%)	N/A	48.7	47.7	48.0	46.8	46.6	45.8	N/A	N/A

<sup>a</sup>Excludes the "other-stores" category, which includes provincial liquor stores whose profits would significantly distort the results.

<sup>b</sup>Excludes material.

N/A: not available

## REGIONAL DISTRIBUTION (1988)

	Atlantic	Quebec	Ontario	Prairies	British Columbia
Establishments (% of total)	9	31	32	16	12
Employment (% of total)	8	23	40	17	12
Sales (% of total)	8	26	38	17	11



## MAJOR FIRMS<sup>a</sup>

Name	Revenue <sup>b</sup> (\$ thousands)		Country of ownership	Market
<b>Department Stores</b>				
Bay, The	1 859 096		Canada	National
T. Eaton Company Limited, The	N/A		Canada	National
Gendis Inc.	748 157		Canada	National
K Mart Canada Limited	1 601 187		United States	National
Sears Canada Inc.	4 562 300		United States	National
Simpsons Limited	437 000		Canada	Ontario
Woodward Stores Limited	717 158		Canada	British Columbia, Alberta
F.W. Woolworth Co. Limited	2 257 546		United States	National
Zellers Inc.	2 150 000		Canada	National
<b>Apparel and Accessories</b>				
Château Stores of Canada Ltd.	116 602	(Jan. '89)	Canada	National
Comark Inc.	N/A		Canada	National
Dalmy's (Canada) Ltd.	153 465	(Feb. '89)	Canada	National
Dylex Limited	1 718 265		Canada	National
Grafton Group Limited	639 370	(Jan. '89)	Canada	National
Kinney Canada Inc.	582 483		United States	National
Marks & Spencer Canada Inc.	N/A		United Kingdom	National
Mark's Work Wearhouse Ltd.	225 279	(11 months)	Canada	National
Reitmans Inc.	368 261		Canada	National
<b>Food Stores</b>				
Becker Milk Company Limited, The	395 895	(Apr. '89)	Canada	Ontario
Calgary Co-operative Association Limited	456 826		Canada	Calgary
Canada Safeway Limited	4 198 581		United States	Western Canada
Great A&P Company of Canada Limited, The	2 258 803	(Feb. '89)	United States, Germany	Ontario
Loblaw Companies Limited	7 934 000		Canada	National
Métro-Richelieu Inc.	2 301 096		Canada	Quebec, Ontario
Oshawa Group Limited, The	4 948 153		Canada	National
Provigo (Distribution) Inc.	6 139 000		Canada	National
7-Eleven Food Stores	670 000		United States	Ontario, Western Canada
Silcorp Limited	852 266		Canada	British Columbia to Quebec
Sobeys Incorporated	1 408 000		Canada	Eastern Canada
Steinberg Inc.	4 481 725	(July '89)	Canada	Ontario, Quebec

(continued)

<sup>a</sup>Data were obtained from the *Financial Post 500*, Summer 1990; the *Report on Business Magazine*, July 1990; and published annual reports. Revenues are for years ending in late 1989 to early 1990, unless otherwise noted.

<sup>b</sup>Sales figures may include U.S. sales of Canadian firms and some non-retailing activities.

N/A: not available

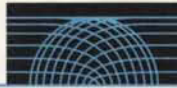
**MAJOR FIRMS<sup>a</sup> (continued)**

Name	Revenue <sup>b</sup> (\$ thousands)		Country of ownership	Market
<b>Pharmacies and Cosmetics</b>				
Big V Pharmacies Co. Limited	309 846		Canada	Ontario
Drug Trading Company Limited	505 425	(Feb. '89)	Canada	National
Group Jean Coutu (PJC) Inc.	471 690	(May '89)	Canada	Quebec
Hy and Zel's Inc.	141 260		Canada	Ontario
Pharma Plus Drugmarts Ltd.	285 900		Canada	National
Shoppers Drug Mart Limited	2 597 700		Canada, United Kingdom	National
<b>Furniture</b>				
Brick Warehouse Corporation Ltd., The	N/A		Canada	Ontario, Western Canada
G.U.S. Canada Inc.	78 340	(Mar. '89)	United Kingdom	Eastern Canada
Ikea Limited	N/A		Sweden	National
Leon's Furniture Limited	245 885		Canada	Alberta, Ontario
<b>Automotive</b>				
Canadian Tire Corporation Limited	2 956 842		Canada	National
Trans Canada Glass International Inc.	279 523	(Dec. '88)	Canada	National
UAP Inc.	407 789		Canada	National
<b>Hardware/Building Supplies</b>				
Beaver Lumber Company Limited	N/A		Canada	National
Groupe Ro-Na Dismat Inc., Le	566 952		Canada	Quebec
Home Hardware Stores Limited	N/A		Canada	National
<b>Specialty Stores</b>				
Henry Birks and Sons Limited	382 111		Canada	National
Black Photo Corporation	151 128		Canada	National
Coles Book Stores Limited	158 835		Canada	National
Computer Innovations Distribution Inc.	306 292	(Apr. '88)	Canada	National
Consumers Distributing Company Limited	1 012 957	(Jan. '88)	Canada	National
Federated Co-operatives Limited	1 486 935		Canada	Western Canada, Ontario
Northern Stores Inc.	N/A		Canada	Northern Canada
Peoples Jewellers Limited	216 631		Canada	National
W.H. Smith Inc.	N/A		Canada	National
Sports Experts Inc.	178 323		Canada	National
St. Clair Paint and Wallpaper Corporation	86 012		Canada	National

<sup>a</sup>Data were obtained from the *Financial Post 500*, Summer 1990; the *Report on Business Magazine*, July 1990; and published annual reports. Revenues are for years ending in late 1989 to early 1990, unless otherwise noted.

<sup>b</sup>Sales figures may include U.S. sales of Canadian firms and some non-retailing activities.

N/A: not available



## INDUSTRY ASSOCIATION

Retail Council of Canada  
Suite 600, 210 Dundas Street West  
TORONTO, Ontario  
M5G 2E8  
Tel.: (416) 598-4684  
Fax: (416) 598-3707

## SECTORAL STUDIES AND INITIATIVES

The following publications are available from the nearest Business Service Centre (see inside front cover).

### **Franchising in Canada: Information Sources**

This publication provides access to a network of information sources on franchising in Canada. It is designed both for the individual who wishes to purchase a franchise and the business that is interested in expanding through franchising its operations.

### **International Franchising: Information Sources**

This publication identifies international sources of information on franchising including foreign franchise associations, publications and exhibitions. It is intended for Canadian franchisors interested in international expansion as well as professionals in government and the private sector who are involved in providing counselling services to business.

### **Retailing and Wholesaling in Canada: Information Sources**

This guide provides specific sources of information on the retail and wholesale industries in Canada.

### **Technologies in Services**

This survey provides up-to-date information on the current and planned use of computer-based technologies and applications in Canada's service sector, which includes the retail trade sector.

The following publication is available from

The Fraser Institute  
626 Bute Street  
VANCOUVER, British Columbia  
V6E 3M1  
Tel.: (604) 688-0221  
Fax: (604) 688-8539

### **Retail and Wholesale Trade Services in Canada**

This study by Keith Acheson and Stephen Ferris of Carleton University was part of the overall Service Industries Studies Program. It describes the wholesale and retail trade sector's inputs and outputs, productivity, and labour market characteristics. It also reviews organizational developments such as cross-merchandising, cross-ownership, franchising and shopping malls.

