BUSINESS

Winnipeg Free Press - PRINT EDITION

U.S. retailers plotting invasion of Canada

By: Lauren La Rose
Posted: 12/24/2010 1:00 AM | Comments: 4

TORONTO -- Oliva De Leon-Gan is more than happy with the broad range of choice for consumers that has come along with the influx of U.S. chains to Canada.

Yet she's still holding out hope one still-absent American retail player will set up shop and display its iconic trademark bull's-eye in this country.

"I'm really looking forward for Target to come here, if ever," said De Leon-Gan, Toronto-based founder of The Cheap Girl, a blog that provides details and updates on fashion, beauty and style bargains in Canada. She recently launched affiliate sites for the U.S. and U.K.

"I think Target has good quality products. They also have designer collaborations, and being a fashionista that's always a catch factor."

In addition to cross-border shopping, De Leon-Gan also makes purchases online, only because she's able to have the items sent to relatives in the U.S. to avoid the cost of expensive shipping.

But when it comes to Target, the 28-year-old may eventually be able to get her fix without heading south -- and perhaps in the not-so-distant future.

The Minneapolis-based company, the second-largest discount retailer in the U.S. behind Walmart, is sending strong signals that Canada is squarely in its sights. "We believe Target has opportunities for expansion outside the United States and are focusing our efforts in the immediate term in both Canada and Puerto Rico," said Target spokeswoman Amy Reilly. "We are optimistic we could open our first stores in Canada by mid-decade."

When asked how many stores the retailer foresees opening internationally, Reilly said "it's too early" to share those details.

In recent years, Canada has seen a surge in both U.S. and foreign-based companies and chains setting up storefronts, and 2010 was no exception.

Famed lingerie retailer Victoria's Secret opened its first stores outside the U.S. in Canada, with one in Edmonton followed by three more in the Toronto area. The coming year promises yet another high-profile launch, with recent published reports that U.S. retailer Marshalls, which offers discounted designer and brand-name fashions, plans to open its first Canadian stores in 2011.

Bruce Cran, president of the Consumers' Association of Canada, said his group is in favour of competition.

"I don't know that I necessarily want to haul companies in from outside," he said. "But if it's creating or adding to the competition and the variety of stores that we have here at the moment, I don't see as consumers how we can lose."

Michael Baratta, audit partner with KPMG in Montreal, said the heightened foreign interest in the Canadian market likely stems from several factors, including the success experienced by some retailers that have already come to Canada.

The U.S. has also taken note that the Canadian economy is not as attached at the hip to its southern neighbour as it used to be, he noted.

"We've felt the effects of the recession to a lesser extent than our friends south of the border," Baratta said.

"As a result, for retailers especially, if you want to diversify and minimize business risks in times of either upturns or downturns, having an investment in Canada is definitely a good option for them."

But with more international retailers coming to Canada and a strong loonie driving many to shop south of the border, the fast-growing retail landscape could pose headaches for local stores and chains vying for consumer attention and dollars.

Some homegrown companies faced struggles in 2010.

In November, Montreal-based clothing retailer Boutique Jacob Inc. applied to Quebec Superior Court to file for protection under the Companies' Creditors Arrangement Act as part of a plan to restructure its operations.

Montreal-based retailer Le Chateau cited lower same-store sales among reasons for a drop in third-quarter revenue and profitability.

Women's apparel chain Reitmans reported increased profits but lower sales in the third quarter.

De Leon-Gan says while she is on the lookout for the best deals, she strives for balance. That includes taking a step back to look at her purchases and making an effort to support local vendors, particularly when it comes to buying items such as jewelry, bags and accessories.

"If I can find better-made local products then I'm willing to spend the extra money to keep the money in Canada as opposed to having it go somewhere else, but I'm really big on quality," she said. "I'm keen on getting my money's worth.

Baratta said growing competition is good for both consumers and retailers.

For Canadian retailers, it allows them to perhaps rethink their strategy and make sure they are as operationally effective and efficient as possible, he noted, adding that they also have an upper hand from knowing the market.

That said, if a U.S. retailer decides to enter the market by acquiring a Canadian retailer, while it's a more expensive option, it will get them the know-how a homegrown retailer has acquired over many years, Baratta noted.

"I think it's definitely going to be a challenge for Canadian retailers, but I do think that the Canadian retailers -- some of the strong ones -- really understand the market in Canada," he said.

"It's probably a win-win for the consumer for sure, but I think a lot of the Canadian retailers are strong and will be able to withstand any competition they get from the U.S."

Randy Harris has a slightly less optimistic view.

Harris is president of Trendex North America, an Ohio-based marketing research and consulting firm specializing in the Canadian and Mexican markets.

Earlier this month, Harris spoke at the annual meeting of the apparel industry in Montreal, where he shared some projections applying to foreign retailers' share of the Canadian specialty store sales market.

Trendex is estimating that this year, the share of non-Canadian specialty stores such as H&M, Mango and Zara of the total specialty store segment will be 28.5 per cent. By 2016, they anticipate that figure will jump to 51.4 per cent. In 2005, it was 13 per cent. While retail clothing and sales may be growing one to three per cent this year, the arrival of U.S. retailers means they're taking a larger and larger slice of the pie, Harris said.

"It's a zero-sum game," he said. "If American retailers are gaining sales, it has to come at the expense of Canadian retailers."

Harris said Canadian retailers, because of their size, don't have sophisticated supply chains, meaning they can't bring in fast-fashion products like Zara and H&M can.

"They just don't have that capability and American retailers increasingly are getting that capability," he said.

"So what you're seeing is that the American retailers and the other foreign retailers are coming in, they're right at the leading edge, if you will, and Canadian retailers are often playing catch-up."

Canadian retailers also don't traditionally spend as much money on marketing as their U.S. competitors, he noted.

"All you have to do is open an Abercrombie (& Fitch) store in (Toronto) Eaton Centre and 90 per cent of the target market knows about the store even though they've never been in one."

Canadian retailers are showing signs they're amped to compete.

On Black Friday, the annual bargain bonanza the day after U.S. Thanksgiving, retailers such as Toys "R" Us and Sears Canada offered discount promotions to encourage shoppers to spend their money at home.

"I think there's no choice right now," said Baratta.

"The power of the consumer to be able to actually easily inform themselves about pricing... and the ease of being able to shop south of the border either by actually travelling there or doing an Internet purchase, local retailers have to respond."

-- The Canadian Press

Republished from the Winnipeg Free Press print edition December 24, 2010 B4

4 Comments

Sort by: Newest to Oldest | Oldest to Newest | Most Popular

You can comment on most stories on winnipegfreepress.com. You can also agree or disagree with other comments. All you need to do is register and/or login and you can join the conversation and give your feedback.

POSTED BY: **madmilker**
DECEMBER 28, 2010 AT 2:07 PM

I was....!!

0 0 REPORT ABUSIVE COMMENT

POSTED BY: **madmilker**
DECEMBER 28, 2010 AT 2:00 PM

You can't have a strong country without having a strong currency and you can't have a strong currency unless you keep it floating around within your 50 states. This is why the store with the star in the name puts 95% China made items in their stores in China....to keep their "yuan" in their country helping the nice people there. And with only 5% left for all the other 182 country's that make stuff including the United States of America....that doesn't produce very many jobs outside of China.

Being an old person myself and knowing how it was back in the 40's, 50's and 60's in this union of 50 states....I look at George each time I pull him out of my billfold and make a promise to send him out for items made in America so after floating around helping each hand he touches just maybe one day he will shake mine again.

Fifteen cargo ships pollute as much as 760 million automobiles.

$9 billion a year in hidden taxes to all American taxpayers to clean fish from ballast tanks of ships...

think about all those facts the next time you pull that George out of your pocket....

Retail makes NOTHING...

Governments only make MORE DEBT...

It's time for less of those two and for America to get back to what it does best....MAKE STUFF..

cause George Washington on that dollar can't help anyone in the United States of America if he is being held in a foreign hand.