

Cautious Optimism Growing Among Canadian Retailers

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As the Canadian economy emerges from the recession, and the critical fourth quarter approaches, retailers continue to focus on maximizing the value that they are offering to consumers. At the beginning of 2009, our retail partners at the University of Alberta's School of Retailing were bracing for a difficult year. In recent weeks we have been hearing more cautious optimism. Here is what some of Canada's leading retailers have to say.

"Customers are starting to change their behaviour in that they are feeling better about the economy than they did at the beginning of the year. We expect to see a gradual resurgence of shopping confidence between now and the end of 2009." says Andrew Pelletier, Vice President of Corporate Affairs for Walmart. Wynne Powell, President and COO of London Drugs agrees "Consumer confidence at this time appears to be now in slow recovery mode compared to the previous months. This positive trend appears fragile and the consumer is acting careful."

Another consistent theme among retailers is the continued customer focus on price and value. John Stanton, President of the Running Room, says "Consumers are becoming much more frugal and discerning with spending decisions. They now expect [more] value." Steve Matyas, President of Staples echoes these comments and states that "We've seen consumers focusing on value, responding more positively than ever to coupon offers, as well as closely sticking to their shopping list, and generally eschewing impulse purchases. We've also seen a significant increase in on-line click research as more and more customers compare prices, as well as investigate features on-line."

This trend towards more price-conscious consumption has been a positive development for some retailers. "Because of the focus on value, Walmart has become the key shopping destination for key seasons like back to school and back to campus because of our low prices," says Pelletier. Similarly, Thom Kyle, Marketing Manager for IKEA Edmonton tells us that "If consumer behaviour changes as a result of their adapting to 'lighter wallets', this is good for IKEA as consumers look to retailers like IKEA for value for money purchases. We continue to see healthy increases in visitors and sales but most importantly we feel the recession has afforded us the opportunity to increase market share. While IKEA is not recession proof we know that consumers turn to us during difficult economic times."

Other retailers have been working hard to innovate and evolve along with their customers, Gerry Bachynski, President and CEO of Comark Inc. – which operates Cleo, Bootlegger and Ricki's – puts it this way: "I think the customer has and will continue to have a strong orientation to the perception of value; that store loyalty has and will continue to be diminished and that ultimately, until consumer confidence significantly increases she may still "shop" as much, but will buy less. Those that address this challenge of providing a stronger value proposition and combine that with a solid shopping experience have a chance."

Although progress may be a little slower at the higher end of the market, consumer confidence and spending also appears to be recovering in the more affluent segments. Fred Singer, President of Henry Singer Fashion Group, states that "With the improved stock market and increased house sales we can see some people that have ignored their wardrobes coming back to shop."

The rising, yet cautious, optimism of the retail community is supported by the Bank of Canada's declaration that the recession is over and recent statistics from the Conference Board of Canada suggesting that consumer confidence is also on the upswing. With the holiday shopping season just around the corner, more confident consumers being served by responsive and well-prepared retailers, is good news for the Canadian economy.