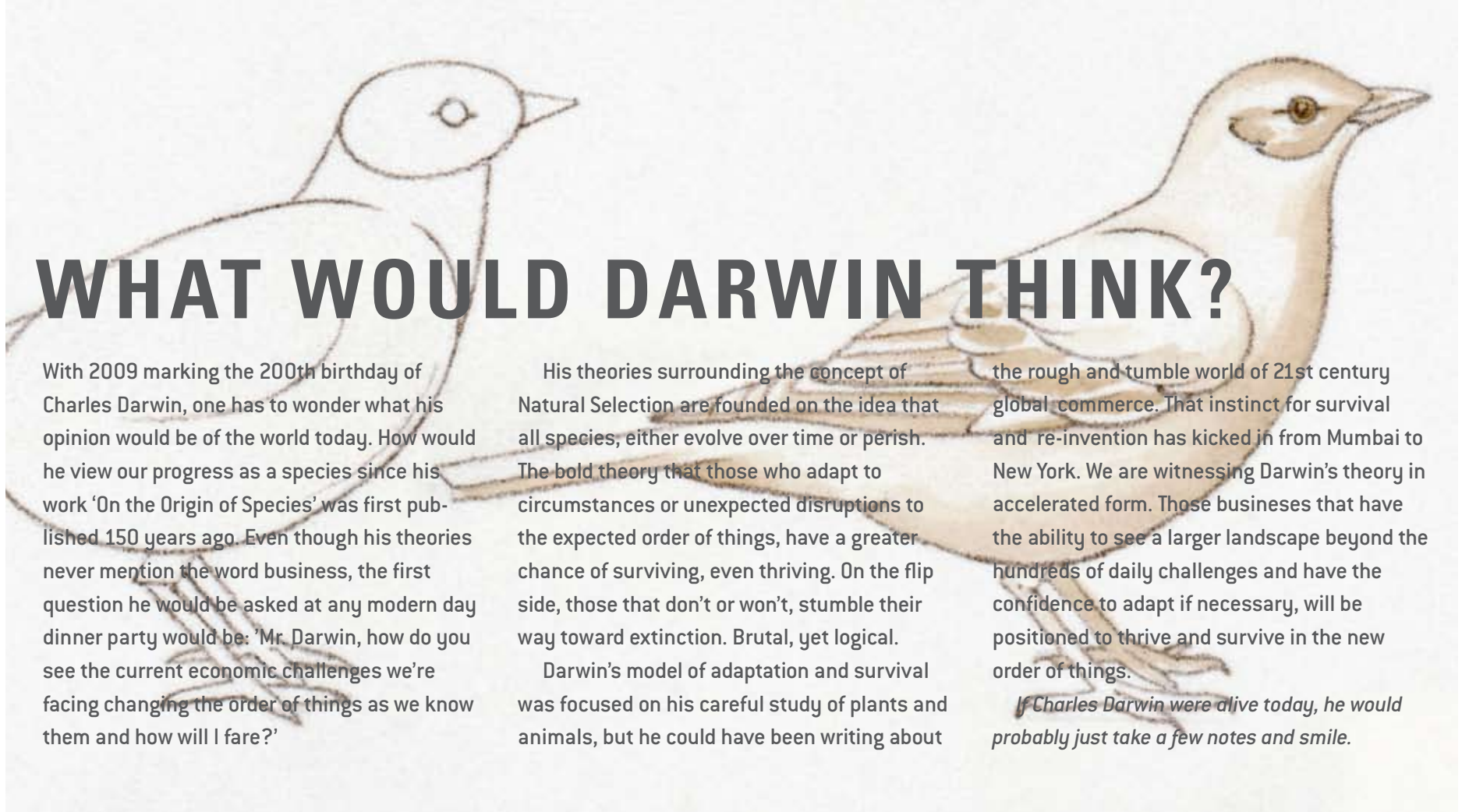


# space



## WHAT WOULD DARWIN THINK?

With 2009 marking the 200th birthday of Charles Darwin, one has to wonder what his opinion would be of the world today. How would he view our progress as a species since his work 'On the Origin of Species' was first published 150 years ago. Even though his theories never mention the word business, the first question he would be asked at any modern day dinner party would be: 'Mr. Darwin, how do you see the current economic challenges we're facing changing the order of things as we know them and how will I fare?'

His theories surrounding the concept of Natural Selection are founded on the idea that all species, either evolve over time or perish. The bold theory that those who adapt to circumstances or unexpected disruptions to the expected order of things, have a greater chance of surviving, even thriving. On the flip side, those that don't or won't, stumble their way toward extinction. Brutal, yet logical.

Darwin's model of adaptation and survival was focused on his careful study of plants and animals, but he could have been writing about

the rough and tumble world of 21st century global commerce. That instinct for survival and re-invention has kicked in from Mumbai to New York. We are witnessing Darwin's theory in accelerated form. Those businesses that have the ability to see a larger landscape beyond the hundreds of daily challenges and have the confidence to adapt if necessary, will be positioned to thrive and survive in the new order of things.

*If Charles Darwin were alive today, he would probably just take a few notes and smile.*



### Q&A with Best Seller

**Space would like to thank Michael Muirhead, President of Best Seller Canada, for taking the time to answer our questions.**

**With the Bestseller family of brands totalling 10 from our count, how does that work internally? Is each brand operated independently and competitive with the others, or is there overlap and to what extent?**

The Bestseller vision is ONE WORLD, ONE PHILOSOPHY, and ONE FAMILY; although we do have ten brands on the International market each one is uniquely designed to cater to a specific group.

In our denim business for example, Jack & Jones is designed for guys who are active trailblazers; cool, confident and casual are the requirements for entry into the 'JJ' Universe. Jack & Jones works in compliment to ONLY for ladies. ONLY is an authentic female jeans brand with a raw and cool urban attitude. It is a brand designed for the young and creative, trend spotting girl who has her finger on the pulse of today's globalized world.

Vero Moda is designed for the modern young woman — both career and family life are of great importance to her. She is aware of trends and looks for quality and value. She is her own woman and a proud ambassador of Vero Moda- our DNA is her DNA.

SELECTED HOMME addresses the strong-minded and mature man. He sports a confident look that embraces freedom, identity

and style. The signature of the line varies from sophisticated, trendy and avant-garde styles, to the more classic tailored business look.

So you see each brand carries its own unique identity. The brands are operated independently, yet each share the same philosophy, which is to bring the best European fashions to the North American consumer at an amazing market value.

Picture it this way, Bestseller brands act as the brothers and sisters in a large family. Each function well together, yet they all have their own distinct personality.

**Most people in retail begin small with dreams of becoming big. Bestseller was founded in 1975 and didn't open its first company store until 1988. Can you cite 2 or 3 milestone events that changed everything for Bestseller?**

Actually that is a bit of a misnomer. Troels Holch Povlsen, founder of Bestseller, took on the task of turning around a family retail location in 1975 in Brande, Denmark. He quickly succeeded in turning a profit; and from there opened another 9 retail locations around Denmark. In Bestseller history this first decade is dubbed; "10 years with 10 shops".

One of the first milestones to Bestseller's global expansion began with a visit Troels made to India in 1979. There he met

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Information, contacts, events and ideas...

we hope to hear from you!

We want to know what you think of Space.

Contact Steve Boase, Editor of Space

at [space@cadillacfairview.com](mailto:space@cadillacfairview.com).

Inside **space**

VOLUME 22

APRIL 2009

Foreign Retailers in Canada | PAGE 2

Opportunity Within Confusion | PAGE 2

Q&A Continued | PAGE 3

Four Ways to Ride Out the Storm | PAGE 3

A New Way of Looking at Consumers | PAGE 4

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# FOREIGN RETAILERS IN CANADA

Steve Boase,  
 Manager of Retail Analysis, Tenant Relations  
 Cadillac Fairview

Total retail sales in Canada exceed \$410 billion dollars each year. Of that amount approximately 32% would be considered mall type merchandise, or approximately \$130 billion. Part of the \$130 billion sold each year in our malls, strip centres, street front and power centres is a growing amount that is going to non-Canadian retailers.

There has been a lot of talk about the American invasion into Canadian retail, with many of our major retailers in the apparel category U.S. based. These retailers typically do well because they have in place strong operating platforms along with well known brands due to years of cross boarder advertising, not too mention cross boarder shopping.

But to think that the change in the retail landscape has come only from south of the boarder would be a mistake. There are actually over 30 major European and Asian retailers currently operating in Canada. Many people may have even mistakenly thought a retailer was Canadian or American, when actually it was of European or Asian origin.

European and Asian retailers currently operate over 1300 stores in Canada. The attached chart highlights the largest of those foreign retailers currently operating. 7-Eleven Food Stores owned by a Japanese firm, have close to 500 stores and have been in Canada since 1968. HMV, the world's largest music and

video retailer has been in Canada since 1987. Historically, the Canadian division has been one of the best performing divisions for HMV Group worldwide.

While many foreign retailers have experienced great success in the Canadian market, there have been a few that have not been so lucky. Marks and Spencer was in the Canadian market for years, but the eclectic mix of British merchandise was becoming less and less meaningful to the changing Canadian demographic.

Some newcomers to the Canadian market have created winning stories in just a few years. H&M has 22 stores in prime retail locations. Zara has 15 stores and like H&M, plays in the fast fashion category. These two retailers have almost single handedly changed the playing field for all apparel retailers. Their low price operating models have forced other retailers to drop their prices, with consumers making the choice to buy merchandise that is more street current, realizing at the time of purchase that it's an item they may wear for only one season.

In these difficult economic times, retailer expansion plans have been trimmed, delayed and even canceled, but there is no question that the Canadian consumer has an appetite for new and interesting retailers. The proof is in the results. Canada has and will continue to be a favorite destination for dynamic foreign retailers.

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## Foreign retailers:

PARENT COMPANY	BANNER NAME	NUMBER OF STORES (AS OF 2008)	HOME COUNTRY	INITIAL YEAR
Seven-Eleven Japan Co.Ltd.	7-Eleven Food Stores	476	Japan	1968
HMV Group Plc	HMV Canada	121	Great Britain	1987
L'Oreal International	The Body Shop/Le Body Shop	110	France	1980
Luxottica Group S.p.A	Sunglass Hut	84	Italy	1989
Sony Corporation	Sony Style	81	Japan	1975
Luxottica Group S.p.A	Pearle Vision Centre	80	Italy	1959
Luxottica Group S.p.A	Lens Crafters	70	Italy	1988
Esprit Holdings	Esprit	43	China	NA
H & M HENNES & MAURITZ AB	H & M	22	Sweden	2004
AEON Co. Ltd.	Talbots	21	Japan	1991

Source Ryerson, CSCA 2008

## Four Ways to Ride Out the Storm

Dr. Chuck Chakrapani,  
 Ted Rogers School of Management  
 Ryerson University

Retail is the ultimate beneficiary of the economic trickle-down effect, fed by other sectors of the economy. Over the past few years we saw a general strength in several sectors of the economy which in turn fuelled retail sales. Everything changed abruptly last fall when the economic tsunami hit the United States and then spread around the world. It is unrealistic to expect that conditions in the U.S., our largest market, will not affect us. No wonder consumer confidence has plummeted to a 26-year low.

Can retailers do anything at all to ride out the economic storm? While there is no foolproof strategy for operating in these uncharted market conditions, there are some basic strategies that can be followed to minimize the negative effects and perhaps even achieve some positive growth.

### 1.) CLEAR THE PIPELINE AND SCALE FUTURE PLANS.

One cannot be nimble when one carries a heavy load. For the near term, we need to deal with pipeline inventory and expectant future plans. We can achieve this through standard remedies such as inventory clearance sales, rationalizing retail outlets, holding back on proposed expansion plans and pruning peripheral divisions to keep a healthy balance sheet. The advantage comes when these are done proactively, rather than forced on an organization by circumstances.

### 2.) MEET CUSTOMERS ON THEIR TERMS.

Financial hardship is only a part of the reason why consumers don't spend. Nervousness about the future can be a big barrier to spending. A person who has lost his job has diminished spending ability. This retail softening is exacerbated by those who witness others losing their jobs and begin to spend less. Sensible pricing will help, but to meet customers on their terms, retailers may also want to consider intangibles such as higher quality, better service and superior value.

### 3.) DON'T PUT ALL YOUR EGGS IN THE SHORT-TERM BASKET.

It is very tempting to adopt a strategy that works for today. But will it also work when the recession ends? If you are a high-end retailer, it may not be wise to rebrand yourself as a discounter. A better strategy would be to retain the high-end positioning while offering lower prices, at your level. You need to take into account the current realities while not abandoning your market positioning. You will need it later!

### 4.) WATCH THE ONLINE UNIVERSE.

Online shopping continues to surge, with nearly 9 million consumers buying goods and services worth about \$13 billion. It may be a fraction of store sales, but we cannot ignore the exponential pace of change. And \$13 billion is no small sum. Statscan estimates that 1-in-3 Canadians aged 16+ have bought online, a 400% growth in four years. An online shopper will inevitably compare online prices to store prices. Store retailers need to ensure that the divergence between online and store prices does not become too wide. One way to combat this would be to make your online prices highly competitive. An example: Chapters/Indigo sells books in their stores at a discount while offering a much larger discount online. This strategy minimizes the challenge from a purely online store like the Amazon.ca.

When times are tough no nostrum is going to be foolproof. When large banks go down, when Microsoft cuts back its work force and when oil prices spike and retreat, no strategy can be guaranteed to work. The best option now is to take a systematic approach to meeting the challenges of the economy while avoiding measures that will negatively affect your company's ability to operate successfully in a post-recession economy.

Dr. Chuck Chakrapani is with the Centre for the Study of Commercial Activity (CSCA) at Ryerson University. He is also the Chief Knowledge Officer of the Blackstone Group in Chicago and former CEO of Millward Brown Canada.

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# Q&A Continued



Ranjit, responsible for the Bestseller buying office in India today. They started up a cooperation together buying clothes. Troels then started selling apparel to shops outside Bestseller (wholesale); and of course also sold them to his own shops (retail).

The second milestone was the evolution of Vero Moda. Bestseller's first brand was EXIT which was bought in 1986. It was originally a girl's jeans brand but it was soon developed into a woman's brand. The name EXIT was however changed to Vero Moda in 1987 because the name EXIT could not be registered as a women's clothes brand in Sweden.

In 1988, Bestseller opened its first shop outside Denmark, a Vero Moda shop in Sweden. Since then Bestseller has entered 41 countries, including its introduction to North America this past October at the Carrefour Laval.

**Which of the Bestseller Brands has the most potential over the next 5 years and do you see all Bestseller brands coming to Canada someday?**

Hopefully we will be able to make all Bestseller brands available to North America soon! That is of course our long-term goal. At this point, we are thrilled to have Jack & Jones, ONLY and Vero Moda paving the way for the rest on a retail level.

All of our brands have excellent potential but we feel that there is a great deal of opportunity in the men's business, which is why we are focusing on expanding more Jack & Jones stores first.

**Bestseller is known for its community spirit and strong environmental positions. Can you tell our readers a bit about your core positions and your plans for the Montreal area?**

Social responsibility is something that comes from within — from the spirit of our company that says: if we are able to help other

people, then we have to help. It is about having that extra surplus — of both energy and resources - to help other people.

Bestseller puts great effort and resources into helping people in need and we are therefore involved in various development projects around the world. You can visit our website to learn about our global development work.

In that respect, Bestseller Canada donated 10% of all of the profits generated from our retail launch event at the Carrefour Laval to the Québec Breast Cancer Foundation. Our plans are to continue to develop our community involvement and environmental support projects as well.

**What opportunities do you see during this slowdown in the economy for a company like Bestseller?**

Bestseller was founded on a core principle of becoming the best by remaining humble. The company has always strived to create superior products, but has gone against the trend to invest in huge and costly marketing campaigns that the end consumer ends up paying for. It is thanks to this practice that for the past 34 years Bestseller has been able to ride the changing economic tides.

We are well positioned to grow during this dark economic period; but only because our basic principles have always been to remain honest and hard-working. We hope to introduce new consumers to our brands. Our loyal clientele will see that we continue to be there for them.

As the economy shifts for better or worse, Bestseller will remain consistent in our promise to offer our consumers a European superior quality product that meets everyone's budgets.

**Bestseller has its own academy? What does the program entail and what is the philosophy behind it?**

At Bestseller we believe that it is very important to focus on developing people. This is exactly how the Bestseller Academy works through retail education and workshops for area managers, shop managers, and shop staff.

All of our retail staff participates in an intense training program where they learn about the Bestseller philosophy, as well as our management and business style. The program is dynamic and fun, but also provides our retail staff the knowledge required to represent the International face of Bestseller.

We firmly believe in incorporating our retail sales staff into the Bestseller family. They are our face to the world. The communication and direct contact they have with our end consumers makes their role incredibly important. This is why the Bestseller Academy courses are so important.

To quote our Bestseller founder Troels Holch Povlsen, "You can train someone for a job, but you cannot easily train them to have the right attitude". The task for Bestseller Academy is to pass on Bestseller's values as clearly and precisely as possible, and by doing so our clients will also experience what makes Bestseller unique.

Our program teaches our staff leadership and communication skills, in addition to sales strategies and merchandising skills.



## Opportunity within Confusion

Michelle Carrie  
Senior Director  
Cadillac Fairview

There's not really too much choice about what to write about as there is only one topic on everyone's mind these days — the state of the economy. Economists say that we're in a recession, but the challenges we're facing today seem very different from the recessions we've endured over the past 20 years, and as everyone knows, God created economists to make weather forecasters look good.

Typically, a recession is a predictable, temporary slowdown in growth, coming every five to seven years; playing the important role of squeezing excess out of the system. When it loses momentum and flattens out, it leaves a door open for recovery and a brand new cycle of growth. Nice, neat, understandable and often useful. At least that's what most economics 101 courses teach and probably the reason why so few experts saw this one coming. *[They forecasted nine of the last five but missed this one!!]* This one is different. It doesn't fit into comfortable, conventional thinking or an accepted theoretical model with predictable variables. This one started out differently and will likely end like no other. The first sign that caused most of us to sit up and pay attention was when major U.S. banks, who just two years ago were celebrating billion dollar profits, were now predicting losses in the billions and asking for help.

This one is different because no one seems to be able to agree on where it will take us or how long we can expect it to hang around. Just a few weeks ago the Bank of Canada issued a report that stated it expects the economy to pick up toward the end of '09 and bounce back to register a 3.8% growth rate in 2010. That same week, General Motors announced another 10,000 layoffs worldwide and major economists predicted double digit unemployment in Canada by the end of this year. Confusion reigns.

I'm an optimistic "glass half full" kind of person (preferably that glass is filled with a nice, buttery Chardonnay). I do believe that we're in a situation where many of the old rules no longer apply, but I also believe that within the confusion lies opportunity. When old, comfortable ways of doing things no longer seem to work, then it may be time to energize caution with inventiveness and take a close look at the way we do things...and do everything just a little bit better. Whether it's in our dealings with employees, customers, suppliers or bankers, unprecedented times call for new ways of thinking and the forging of new, more open relationships. I'm not saying that dramatic change is needed on all fronts, because I believe that most of us are already doing a lot of things right. What I do believe is that if we can improve the efficiency or impact of each task or strengthen a relationship, we've taken control of a challenging time and put ourselves in the best possible position to succeed.





Retailing in 2009:

# A New Way of Looking at Consumers

by: Georgie Binks

**If you're a retailer wondering how to attract consumers in the shaky 2009 economy, you might want to heed what Joanne Thomas Yaccato has to say. She's written *The Gender Intelligent Reader*, Wiley 2008 with Sean McSweeney. According to her, the future lies with the female consumer and if retailers are smart, it may be the answer to surviving the economic downturn.**

With women constituting 80% of consumers, Thomas Yaccato explains it's time retailers stop looking at shoppers through their 'middle-aged white guy lens'. "Women are incredibly discerning consumers. Retailers fail to recognize that we notice everything. It's our biology. If you appeal to female consumers, you raise the bar for everyone. Dramatic things can happen when you adopt a gender lens and change the way you do business."

The first thing retailers need to do is to look at retail space through women's eyes. Thomas Yaccato advises them to suit up with a snugly holding a small doll, imagine they have a 7-year-old prone to temper tantrums in tow, then drape a diaper bag and

purse over their shoulder and grab a stroller. Then try shopping.

There are certain basic things a retailer can do to satisfy female customers. Make sure products made for women aren't just men's products made smaller or in pastel colours. A washroom, especially a clean one, is vital. Thomas Yaccato says, "*Washrooms are a barometer for women on how well a store gets their needs.*" *Heavy doors and products placed too high make it more difficult for women to purchase. Sufficient change rooms with lots of staff and an area where children can play all make it easier. So are lots of cashiers.* She says, "*Women in the workforce spend two hours a day on child and home care over their male counterparts. They are incredibly time impoverished. Not having enough cash registers is annoying to everyone, but it's disproportionately annoying to women who have no time.*"

Often when there's a downturn in the economy salespeople are the first to go. Thomas Yaccato says that's a big mistake because good salespeople are key to winning women. She says men can sail into a shop, pick something up from the shelf, and not even try it on before purchasing it. Not so with women. They research much more than do men. As well, they make decisions differently. She says, "Women object to the short-term go-for-the-throat kill in terms of closing the sale." She advises salespeople to give women

time to make a decision. If they anger a woman she'll go somewhere else, whereas a man may buy something anyway.

Thomas Yaccato continues, "Where things often fall apart is on the floor of the store. The face-to-face sales experience is generally rated as appalling in all industries."

She says retailers shouldn't confuse gender intelligent retailing with simply marketing to women. "*Marketing to women has become an incredible industry. When it comes to meeting women's needs, all initiatives are known as marketing to women. But most women can smell a 'fem marketing' rash a mile away. It only touches the service. It doesn't take care of the whole problem.*"

Taking the time to make the shopping experience better for women can pay off. She says, "Once you get us as a customer, we're yours for life and so is everyone we know. If you meet the needs of women you will exceed the expectations of men. Retailers who have taken women seriously all along experience far less of a body blow when there's a downturn."

*Georgie Binks is a freelance lifestyle reporter living in Toronto.*