Chapter 10
Emerging Retail Strategies in Urban Canada

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ABSTRACT
In this article, the authors examine the spatial distribution of major retail chains across Canada. Using store location data for 2001 and 2006, the geospatial approach adopted in this study allows for the analysis of retail chains’ store portfolios by the size of the resident population of the ‘markets’ within which they operate. The analysis presented highlights the dominance of chain locations within and proximal to Canada’s major urban markets and provides further evidence of increasing interest amongst a number of major chains in ‘small town’ (or ‘C’) markets. It points to a future in which these smaller markets will become more competitive with an increased presence of major retail chains. The findings reported can be seen as the locational imprint of the processes of corporate concentration taking place across Canada, fuelled by the interplay of increased competition, concerns over market saturation and the need to sustain growth.

INTRODUCTION
Retail activity is a major component of the Canadian economy. In Fiscal 2007/2008 retail sales (including automotive) were $412.2 billion or 25.7% of the gross domestic product (Statistics Canada, 2007). More than 1.8 million Canadians, approximately 12% of the Canadian workforce, are employed in the retail sector (Statistics Canada, 2008). It is estimated that there are over 230,000 retail store locations across Canada - a nation of just over 32 million residents (Statistics Canada, 2009). Data from the Centre for the Study of Commercial Activity (CSCA) at Ryerson University has tracked and reported on the increasing levels of corporate concentration in Canada over recent
Emerging Retail Strategies in Urban Canada

years (Daniel et al., 2008). In the order of 70% of retail sales in Fiscal 2007/2008 were generated by less than 30,000 retail chain stores (i.e., operated by major retail chains that operate 4 or more stores). In fact, just over 3,000 stores operated by the Top 3 retail conglomerates in Canada (Loblaws, Wal-Mart Canada and Sobeys) accounted for nearly one-quarter of the total non-automotive retail sales. Essentially, an increasing proportion of retail spend in Canada is controlled by a decreasing number of major retail conglomerates. This paper provides an overview of the locational strategies of the major chains operating in Canada between 2001 and 2006 (these years have been selected as they mirror census data collection periods in Canada). The article is divided into four sections. First, the concepts of market, market size and urban areas are defined. Second, an analysis of store location data identifies trends in market size and location preferences for the entire set of selected chains. The third section presents two case studies of the locational preferences of retail chains in Canada, namely, The Home Depot (a major home improvement chain) and Wal-Mart Canada (the global discount general merchandise chain). The store portfolios of these chains are compared by market size and location type between 2001 and 2006 to identify emerging locational strategies. The article concludes by looking to the likely patterns of future retail chain store development across Canada and identifies a number of areas that are in need of further research.

DEFINING MARKETS

For retailers, decisions relating to which markets to enter (or exit), the type of formats to operate, and the optimal mix of formats for a particular market are amongst the most far-reaching and investment intensive decisions they face (Ghosh & McLafferty, 1987). These ‘location-based’ decisions have long-term strategic implications for retail organisations (Jones & Simmons, 1990). They typically represent a major capital expenditure in the short-run and operating expense in the long-run, during which resources are grounded in the bricks and mortar of the retailer’s store portfolio (Guy, 1994). Once made, location decisions are costly to reverse, making them critical to the overall health of the firm. Therefore, the long-term success of a retailer is directly correlated to sound strategic locational decision making (Thrall, 2002).

The viability of a given market can be formalized as a function of the existing and projected supply and demand relationship. This relationship can be thought of as the amount of demand for a given set of goods and services against the level and type of supply (Berry & Parr, 1988). Demand is typically determined by a combination of measures, including demographics (e.g., population size, age and family structure, employment, education, etc.), and wealth (e.g., income, assets, etc.). These factors are often translated into some form of consumer spend potential, which is ideally subdivided for specific types of goods and services. Supply is generally measured by the size, number, and competitive mix of retailers within the marketplace, along with the retailers own stores and competing chains (e.g., formats, type of location, square footage, etc.).

In this context, the ‘market’ refers to an aggregate of people who, as individuals, have needs for goods and services and who not only have the ability, but the willingness and authority to purchase (Dibb et al., 1997). The term, market, is generally used to refer to a relatively large contiguous geographic area, within which specific trade areas can be delimited. A retailer’s trade area is the area from which a given store draws the majority of its customers (Hernandez et al., 2004). For example, within Toronto (the market), a particular retailer may operate a number of stores, each with its own distinctive (and potentially overlapping) trade areas. Thus, location decisions can be broadly divided into a number of types, specifically: macro, micro, and site specific. Macro decisions