

# Canadian retailers must disrupt — or be disrupted

As new Amazon services loom, and mid-tier brands struggle, here are industry trends to watch for in 2017.

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Wed., Dec. 14, 2016

Competition among Canadian retailers continued to heat up this year, with some brands beefing up their physical stores and e-commerce offerings, while new entrants like Saks Fifth Avenue and Uniqlo joined the fray.

Whether it was Saks opening up a Pusateri's food hall in their stores or Hudson's Bay spending more than \$60 million to upgrade its Toronto distribution centre with a new robotics system, retailers worked to carve out their place in the cutthroat retail landscape.

But not all retailers have been able to survive, with some like Danier scaling back locations or others like teen clothing chain Aeropostale and jewelry chain Ben Moss closing their doors in Canada for good.

As 2016 nears an end, here are the top retail trends to look forward to in the new year:

## **E-commerce expansion**

In 2016, Canadians averaged more than \$44 billion in retail sales every month with e-commerce sales accounting for about 2 per cent, according to Statistics Canada.

Although online sales make up a small proportion of total purchases, retail industry expert Doug Stephens says it's growing at a pace of 15 per cent each year compared with 3-per-cent growth in bricks-and-mortar sales.

Stephens, who runs consultancy Retail Prophet, said more than ever, customers expect the process of buying online to be as seamless as purchasing the item in a store. They also want to be able to have the opportunity to go back and forth between the two options easily and quickly.

“The ability to serve customers online and particularly on a mobile device, to be able to ship quickly and to be able to ship either free or at the lowest possible cost,” he said.

NPD Group retail analyst Tamara Szames said retailers understand that their online presence is a “gateway” to their physical store, and even though this area is growing, it’s not replacing consumers’ desires to shop in person.

### **Digitizing the store experience**

Imagine trying on clothes in a store and being able to ask for another size, get advice about the fit or get recommendations about other pieces that might work — all from a screen on your dressing room door.

Retail strategist Kelly Askew says 2017 is going to be a year where more retailers will try to incorporate more useful, digital aspects into the store experience.

Askew, a managing director at Accenture, anticipates that even grocery stores will move toward embedding more digital aspects into the business.

For example, supermarkets may begin to send offers to your smartphone as you’re walking by an item on a shelf or help you plan your route through the grocery aisles once you upload your shopping list.

“(We’re going to be) moving away from some of the gimmicky and gadgetry that we’ve seen until now, like digital screens you can interact with but they don’t really add to the experience,” said Askew.

## **Death of mid-tier retail**

In 2016, Canada saw the growth of the luxury sector and the discounted brand name sector, which includes stores such as Saks Off Fifth, Nordstrom Rack, Marshalls and Winners.

Retailers are hoping Canadians will continue to have an appetite for the experience of shopping for high-end goods and also be driven into “off-price” stores in the hopes of finding a bargain.

Meanwhile, regional malls and retailers such as a struggling Sears Canada will continue to face fierce competition in the new year.

## **Amazon’s threat grows**

Stephens says Amazon is continuing to disrupt retailing and although some of its services, Amazon Go and Amazon Echo, aren’t available here yet, retailers should be preparing for when the move inevitably happens.

“The threat that Amazon presents is that they don’t think like a retailer,” he said. “They think like a technology innovation and data company that just happens to sell things. “

Stephens said in order to compete with Amazon, Canadian retailers need to come out swinging.

“The old trite adage is either disrupt or be disrupted. But it’s never been more true than today.”