

BUS 478

Canadian Tire Case Analysis



Prepared by:

Chelsey Langille

Jiajun Liang

Kwok On Cheung

Yanzhou Zhou

Yingyi (Winnie) Wu

Prepared for:

Jerry Sheppard

Submitted on: March 20, 2013

THE HISTORY OF CANADIAN TIRE:

Canadian Tire provides solutions to Canadians for the jobs and joys of everyday life. It has been branded as ‘Canada’s store’. Canadian Tire has firmly established itself as a well-recognized organization across our country. The company has been in business for over 90 years which has been made successful through understanding their Canadian customers’ needs and their roots.

In 1922, John W. and Alfred J. Bibles invested their combined savings to purchase Hamilton Tire and Garage Ltd. in Toronto. The following year, they relocated their original store and changed the name to “Canadian Tire Corporation”. Later, in 1934, the Bibles Brothers opened Canadian Tire’s first official designated store on Hamilton Street and this store served as “a catalyst for the development of Canadian Tire’s successful nationwide Dealer-operated network” (www.candiantire.ca).

Another milestone for Canadian Tire was in 1958 when its first gas bar called Gas+ was opened. Shortly after they offered customers a loyalty program which consisted of discount coupons that has now become the legendary ‘Canadian Tire Money’. A few years later, Canadian Tire Corporation acquired Canadian Tire Acceptance Limited, which is a small firm that offers financial services. Canadian Tire now spreads widely across Canada, and their products and services are accessible to all Canadians.

A strong leader is the person who determines a company’s success and A.J. Bibles was the key to the success of Canadian Tire Corporation. Under his leadership, Canadian Tire has grown increasingly competitive and has succeeded in many partnerships and acquisitions. In 1976, he became an honorary member of the Order of Canada according to “his contribution to the community of business, his concern for his employees and the sharing of his successes right from the very start” (www.canadiantire.ca).

With the continuous development in technology over the recent decade, Canadian Tire took strategic action by taking advantage of networks and created a webpage for customers to shop online in

2001. Over the years of change and innovation, Canadian Tire today is recognized as a leader in retail, automotive, innovation and sustainability in our country.

THE ORGANIZATION TODAY

Canadian Tire today is a Family of Companies that includes Canadian Tire Retail, Partsource, Gas+, FGL sports, Mark's and Canadian Tire Financial Services. The company has more than 1,700 retail and gasoline outlets nationwide with their primary retail business sectors; automotive, living, fixing, playing, and apparel; being supported by their Financial Services division. The iconic red triangle is one of Canada's most trusted and recognized brands. Canadian Tires Retail, their core business, has 488 stores nationwide serving more than 180 million customers a year. This sector is the Canadian market leader in each of its main product divisions: automotive, home and leisure.

Performance

According to Canadian Tires Annual Financial Report, acquiring FGL has been a remarkable success. Revenues are up 10% for the full year of 2012 with retail sales also up 10% for 2012. The family of companies under Canadian Tire believes they are extremely well-positioned in the competitive marketplace for 2013.

Mission

According to www.canadiantire.ca (2013), Canadian Tire's stated vision for all of its businesses is:

"To be the best at what our customers value most."

And their mission is:

"To be the first choice for Canadians in automotive, sports and leisure, and home products, providing total customer value through customer-driven service, focused assortments, and competitive operations."

Total customer value is the foundation on which Canadian Tire has developed its strategies such as its customer-driven service. Focused assortments demonstrate the size of the family of companies operating within Canadian Tire. Lastly, competitive operations provides that the company focuses on reducing the costs of supplying goods and services to their customers that in turn, allows them to create more value through lower prices and added services.

Goals

Canadian Tires current goals are:

- Drive business sustainability as a business strategy
- Advance key productivity and efficiency initiatives

Canadian Tire continues to integrate sustainability into business operations, increasing both cost avoidance and revenue from their business sustainability initiatives. Canadian Tires sustainability strategy helps drive innovation, profitability, and growth with these three aspirations in mind: energy and climate, waste, and products and services. In provisions of advancing key productivity initiatives, Canadian tire plans to embed merchandise productivity capabilities (technology and processes) to sustain benefits into the future. In order to improve efficiency Canadian Tire will implement key initiatives within the Canadian Tire Retail Stores Smart store concepts, which offers additional space to automotive products, sporting goods, and tools.

EXTERNAL ENVIRONMENT

Intensified Competitions

The competition in the retail industry is intensified by new entrants from the U.S. or international regions and the changes in the retail consumer landscape. Canadian Tire faces an increase in competition from U.S. based retailers such as Wal-Mart, Home Depot and Lowe's as they are capturing larger sales

from market share by expanding their store networks into Canada. Meanwhile, other large U.S. retailers are trying to penetrate into the Canadian retail market: Target is entering Canada in 2012 via its acquisition of Zellers property leases and Nordstrom is entering in 2013 and is expected to be operating by 2015 through four leased properties. The incoming challenge from both existing competitors and the new entrants has intensified the competition in the retail industry and has increased the difficulties of capturing above-average-return for retail competitors.

Besides competitions between rivals, the change in the retail consumer landscape also intensifies the degree of competition and thus modifies the models of how retailers reach out to their customers. The wide spread and availability of information technology via the Internet, has fostered customers with more information on specific items and product features compared to those in the past few decades. Customers are more price-sensitive due to the availability of online product information and because of their ability to compare prices amongst competing company websites. They look for retailers who can offer a lower price while maintaining a convenient shopping experience. The advances in technology and the change in consumer patterns indicate that retail companies such as Canadian Tire have to modify their approach to their customers. Retailers nowadays target customers based on their physical locations and reach out to them via text and email messages with special deals and price discounts instead of just sending flyers.

Table 1: Competitor Analysis

	Wal-Mart	Home Depot	Target
Future Objectives	To satisfy customers with the lowest prices and expand in new markets.	To deliver innovative and distinctive products to customers at attractive value.	To provide the long-term value for customers and deliver continued profitable growth and meaningful shareholder reward.
Current Strategies	<ul style="list-style-type: none"> · Use of information technology: to refine resource procurement processes and create more efficient international logistic system · Strategic Alliance: joint venture with companies in target international markets 	<ul style="list-style-type: none"> · Customer Service: introduce new information technology to serve customers more effectively and enhance the shopping environment · Product Authority: form strategic alliance with suppliers · Interconnected Retail: improve customer's retail experience and customer's access to information about products 	<ul style="list-style-type: none"> · Focus on the expansion to Canadian market · Open the expected number of Canadian Target stores · Design new marketing programs that creates differentiation to other Canadian retail stores
Assumptions	<ul style="list-style-type: none"> · Global environmental awareness is increasing · Globalization of markets · Effective information system is important for company to optimize its operation and maximize sales 	<ul style="list-style-type: none"> · Business is needed to be expanded in the international market whiling maintaining competitive position in the U.S. market · Relation between strategic alliances is key 	<ul style="list-style-type: none"> · Differentiation: improve customer experiences by creating an attractive value proposition through combination of price, guest services and marketing efforts · Multichannel retailing is rapidly evolving · Increased product safety concern in the society
Capabilities	<ul style="list-style-type: none"> · MIS: use point of purchase data collection system to manage inventory effectively · Distribution: state of the art retail distribution system maintain effective logistic management 	<ul style="list-style-type: none"> · Supply Chain: effectively managing inventory investment, and total supply chain costs; provide optimal flow path for products · Serve different types of customers: DIY, DIFM*, and Professional customers 	<ul style="list-style-type: none"> · Vertical integration: Target sells its owned and exclusive brand products such as Market Pantry and Target Home which generally carries higher margins · Extensive use of computer system: effectively manages company inventory, processes guest transactions and logistic system
General Notes	Large existing competitor in the overall retail industry	Largest home improvement retail competitor	Incoming competitor from the U.S. and a competition of the grocery sector

*DIY = Do-It-Yourself, DIFM = Do-It-For-Me

STRATEGIC CHALLENGES:

Maintaining the brand in Canadian Market

Being a home-grown Canadian retailer, the brand does attract many loyal customers in the past. This unique advantage adds competitiveness to Canadian Tire, and the company has been focusing on advertising of being the national pride. During the past several years, the growing amount of immigration has made Canada more diversified with world's culture, which makes the Canadian culture less attractive for customers. Moreover, with a history of unqualified services, Canadian Tire needs to continuously improve in terms of customer satisfaction. The changing demographic has an increasing emphasis in customer services, and as a result, loyal customers may switch especially consider the competitive retail environment.

Maintaining the market share in Canada

The fact that the U.S. retailer Target is entering into the Canadian Market intensifies the competition in retail industry. Canadian Tire has been struggling with its relatively low operating efficiency compared with the existing competitors such as Wal-Mart and Home Depot. As the company has experienced a 12.1% increase in its expense in 2012, it needs to emphasis more on its internal efficiency.

Building their expertise in various retail areas

Canadian tire offers a wide range of services and this variety has become one of their core competencies. However, this makes the company less focused in specific area since the competitors can allocate more resources on their area of expertise to achieve better performance.

Increasing profitability with “green” initiatives

Canadian Tire has been reporting on its environmental initiatives since 2008, and sustainability has become one of the core elements in its strategy and overall operation. Their sustainability strategy across

their business has resulted in strong environmental performance. However, their green initiatives come at a price. With new low-cost competitors entering the Canadian market, Canadian Tire needs to have tight control over their expenses particularly in their environmentally friendly sector, to remain competitive in operational efficiency.