
DIG360 – Leger Canadian Department Store Fashion Shopper Study - Summer 2017

DIG360 Consulting and Leger have released the latest in their Canadian Shopper Study series: The DIG360 – Leger Canadian Department Store Fashion Shopper Study. Based on a survey conducted by Leger of 1,566 adults Canadians between May 15 and May 18, 2017, this report sheds light on recent announcements by HBC and Sears Canada.

The Canadian Department Store category is undergoing competitive flux, with the decline of Sears amidst the rise of new entrants: Nordstrom, Nordstrom Rack, Saks and Saks Off 5th (owned by Hudson Bay Company). Meanwhile, HBC has resuscitated its flagship stores, Quebec-based Simons is expanding across Canada and Holt Renfrew is investing in major expansions of many of its stores.

We have chosen to focus on fashion as a lead indicator of the opportunities and challenges facing these chains in Canada. It is also the primary demand these chains are collectively chasing.

Fashion shopping in decline overall in retail

To anchor the study, we determined 31% of Canadians 18 years and older are shopping for fashion less often in the past two years, while only 14% are shopping more.

The declines correspond to income: 37% of those with under \$40,000 household income are shopping less, compared with just 22% of those with over \$100,000. Yet, all income groups have a net decline in fashion shopping.

- Fashion shopping continues to be a young persons sport, as 31% of those 18-24 are increasing their fashion shopping in the past two years (compared to 23% of this age group shopping less).
- Confirming other research we have undertaken, there is a significant drop in fashion shopping around age 45, with just 7% of those 45 and older reporting an increase in fashion shopping and 36% a decrease. The aging population is bringing demographic challenges to the Canadian fashion business.
- That 37% of women reported shopping less for fashion should alarm retailers of women's apparel, particularly at a time of greater competition and choice.

Department Stores remain a major factor in Canadian fashion retail.

Just over half (54%) of Canadian adults shopped these department stores for clothes in the past 12 months. In fact, of those shopping more for fashion in the past two years, 76% shopped department stores in the past year. The proportion of men shopping department stores for

fashion is almost identical to women.

It seems many still appreciate the “House of Brands” in one spot. Two-thirds of Canadians like the variety and brands carried by Department Stores. Only 25% prefer shopping brands’ own standalone stores over the fashion they sell in Department Stores.

Hudson Bay Company and Sears lead department store shopping coast to coast.

As a reminder that many shoppers reside outside the downtown cores of our major cities, the highest shopping incidence is for those with the broadest regional coverage of stores. Hudson Bay Company leads at 31% of adult Canadians buying in the past year. Sears is a close second at 28%, with the advantage of substantial store coverage in Quebec. Over half of adult Canadians (55%) shop Walmart for at least some fashion in the past 12 months.

For many, Sears is a very important part of their shopping lives – closures here will leave a void.

The Sears shopper base mirrors the regions of Canada and age profile of the country.

Unfortunately for Sears, this means it is strongest in smaller towns, particularly Atlantic Canada and the Prairies which feature more frugal fashion tastes than their urban counterparts.

It has an aging dominant base. 65% of its shoppers in the past years are over 45 years old, an age at which we know spending on fashion to begin to significantly decline. By comparison, only 5% are 18-24 while this age group comprises 13% of the Nordstrom base.

In addition, 11% have reduced their shopping at Sears and 13% have stopped shopping Sears in the recent past – significantly higher than other department stores. This performance drop included its base: 21% of those ages 55-64 stopped shopping here altogether.

Nordstrom is introducing younger shoppers back to Department Stores.

Unlike Sears, Nordstrom is profiling younger, in the more lucrative category of 18 to 24 year old fashion shoppers in catchment areas around their few urban flagships. Although it has only 5 Canadian stores compared to 8 for Holt Renfrew, Nordstrom has 5% of the Canadian adult population buying at least once in the past year. Holts has 3%. Of course, some of our Nordstrom shoppers may be shopping in the US.

Perhaps an indicator of its opportunity in Canada, 3% of us shopped Nordstrom Rack despite it not yet opening Canadian stores.

Challenges for Saks?

It is early days for Saks (1% of Canadians shopped in the past year) and Saks Off 5th (2%). The latter is already ahead of the mainline Saks, and should fare better as a value-priced option. It

has low awareness and for those who do know the store, it performs poorly on its website, while competing better at a fun place to shop. Saks Off 5th is behind Nordstrom Rack while having 14 stores already in Canada. Both of these contend with Winners and Marshalls for fashion hungry bargain hunters.

Simons leveraging home Province dominance

Leveraging is tremendous strength in Quebec, where it leads all departments stores with 38% of that Province's population shopping it, Simons has drawn 13% of adult Canadians in the past year. It is faring well with younger shoppers and those shopping more for fashion in the past two years. 18% of those aware of this department store state that it is "totally designed for someone like me", ahead of Hudsons Bay in 2nd with 12%, and it leads the others as a fun place to shop. It is not surprising that the more upscale stores like Holt Renfrew and Saks appeal to a much more narrow range of shopper and are not preferred by the mainstream.

Walmart capturing price conscious shoppers

Those who are generally shopping less are favouring Walmart, Sears, Winners and other value priced department and specialty stores.

While not a full-range fashion department store, the regular traffic Walmart generates for other merchandise has led two-thirds (66%) of Canadians with household income under \$40,000 to report a clothing purchase in the past year. Notably, almost half (46%) of those with income over \$100,000 also report purchasing clothes at Walmart. Half of Canadians report shopping Walmart more often for clothing in the past year – likely for staples.

Winners is the big winner!

Another notable player is Winners with 39% of shoppers buying. This is far ahead of other specialty chains and certainly elevates it to a department store-like impact.

Of chain retailers, Winners had 48% and H&M captured 34% of those Canadians who increased their fashion shopping. Half of those 18-24 shopped a Winners store in the past year.

Watching Discount Outlet Stores

Eighteen percent shopped at a Canadian discount outlet mall in the past year. We expect this to grow with the addition of more of the concepts in Canadian the retail landscape.

Long run, are Department Stores an archaic retail model?

Originally, Department Stores were a modern solution to the shopping convenience demanded by a growing urbanite population. They housed a wide range of products in one building and were a beacon of traffic. Then came the explosion of enclosed shopping centres, then global specialty retailers, power centres and now high streets and ecommerce.

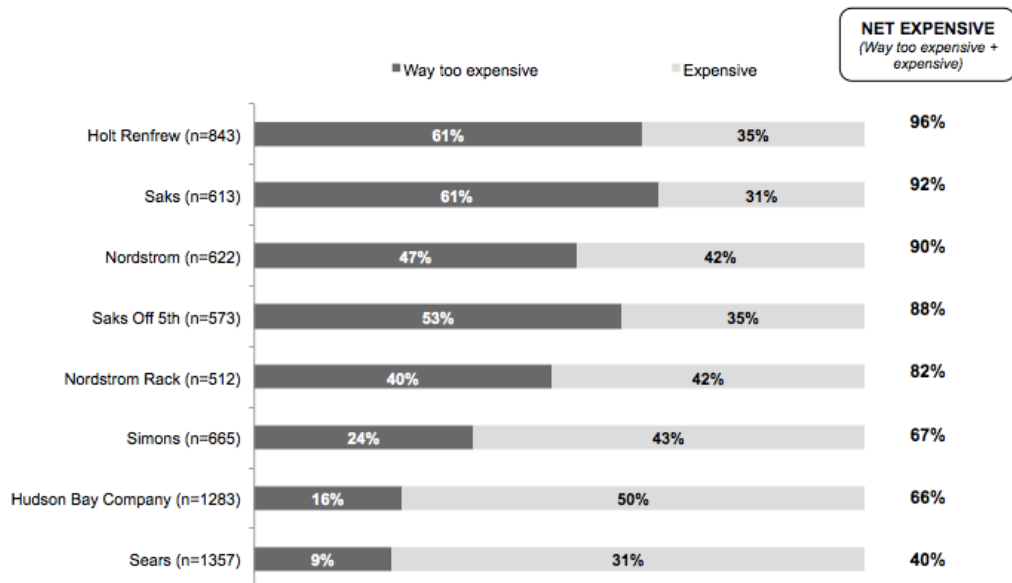
Notably, 72% of Canadians wait for sales to shop at Department Stores, reflecting the national propensity to more budget conscious households and the fiscal challenge facing these stores.

And there are the naysayers: 35% of us feel the Department Store concept is tired and dated, and 35% they are too big and a waste of time. We will track this going forward.

Price perception of each department store

CD6A. How do you feel about each of these department stores when it comes to price?

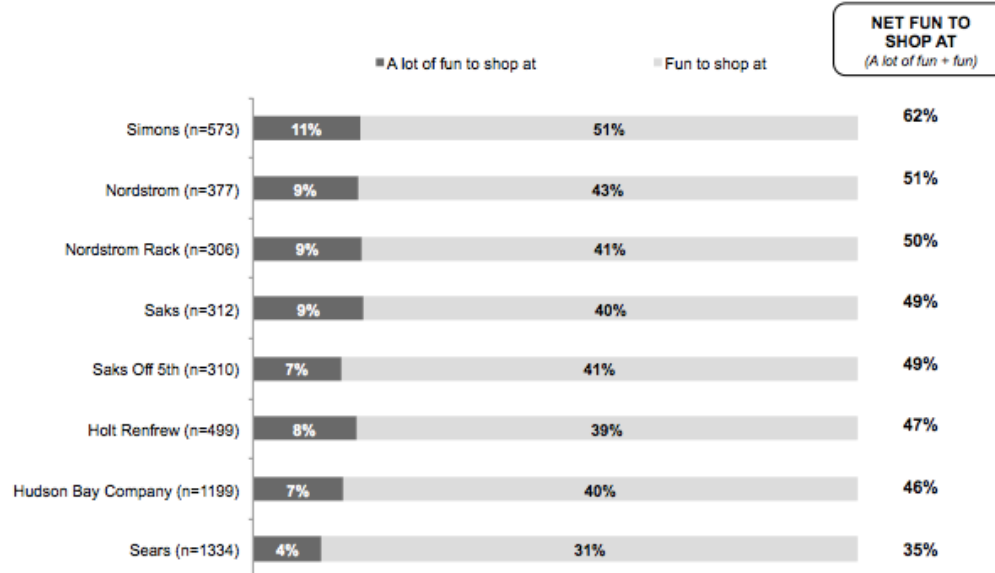
Base: All respondents – excluding ones who said "Do not have access to that store", "Do not know that store enough" or "Do not know that store at all"



In-store experience perception of each department store

CD6B. How do you feel about each of these department stores when it comes to in-store experience?

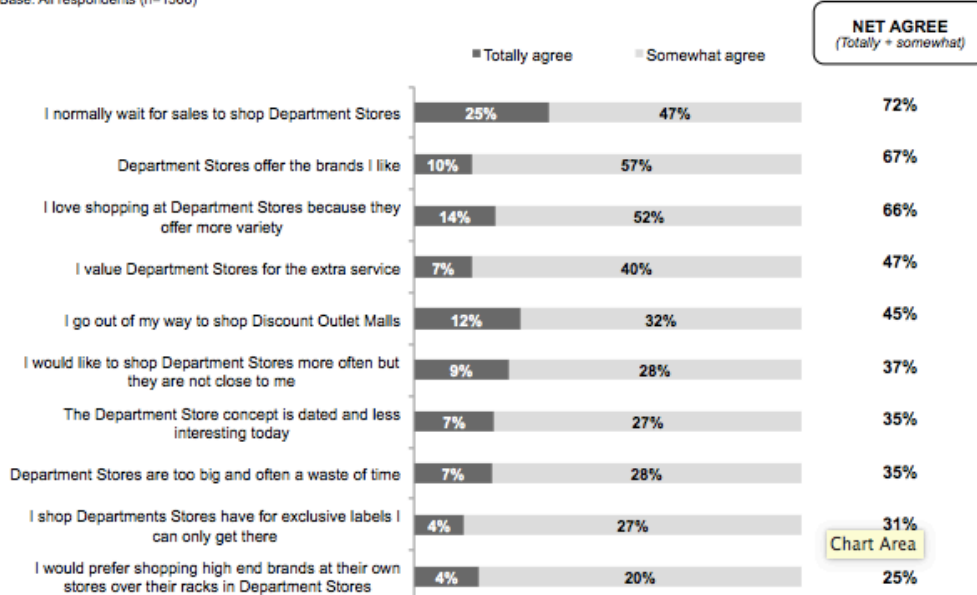
Base: All respondents – excluding ones who said "Do not have access to that store", "Do not know that store enough" or "Do not know that store at all"



Level of agreement with different statements

CD7. Please indicate whether you agree or disagree with the following statements, when it comes to shopping for CLOTHING at department stores.

Base: All respondents (n=1566)



About the Study

This is part of a regular series of Canadian consumer retail thought pieces developed by DIG360 and Leger. A web survey was conducted from May 15 to May 18, 2017 with a representative sample of 1,566 Canadians who were English- or French-speaking, and 18 years of age or older.

Using data from Statistics Canada, the results were weighted according to age, language, gender, region, education and the presence of children in the household in order to ensure sample representativeness. As a comparison, a probabilistic sample of 1,566 respondents yields a maximum margin of error of +/- 2.5%, 19 times out of 20.

Goals of the Study:

1. To gauge shopper perceptions of department stores as a class of retailer.
2. To benchmark awareness and patronage of department stores in Canada - particularly the newer entrants.
3. To determine from whom each is taking or losing share.
4. To seek indicators of shopper base, and strength and weakness.

About us:

DIG360 Consulting Ltd. helps retail executives focus or recharge sustainable growth. They help develop customer strategies that resonate with the right target audiences, competing on better experiences and relationships. David Ian Gray leads DIG360 and is a recognized expert on shopper trends impacting the sector and resulting retail strategies www.dig360.ca

Leger is the largest Canadian-owned market research and polling firm. Leger provides its clients with unique expertise in market research, business consulting and information technology in the fields of customer satisfaction, consumer insights, customer experience positioning, brand management, effective communication, corporate reputation, social acceptability and crisis management, particularly in the fields of healthcare, retail, financial services, lotteries, public affairs and entertainment. www.leger360.com.

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