

Canadian Tire's Response to the Changing Retail Environment

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Organizational Background Summary:

Tighe (2021a) argues that one of the first changes to the retail environment after the beginning of the COVID-19 pandemic was “an overall decline in sales,” further emphasizing that sales decreased by “about one and a half per cent,” or nine billion Canadian dollars. The Canadian Tire Corporation Limited was one of many Canadian retailers that had to take immediate action when the repercussions of a global emergency began to seep into the environment in which they operated.

On April 2, 2020, the Canadian Tire Corporation (2020) published a media release that communicated their action plan, highlighting intentions to reduce operating costs, pause the repurchasing of shares and capitalize on relationships with Canadian banks to ensure sources of liquidity. The release emphasized Canadian Tire's health and safety plan and pledged commitment to protecting employees and customers (Canadian Tire Corporation, 2020).

A year later, in their 2020 Report to Shareholders, the Canadian Tire Corporation (2021a) announced it experienced an eleven per cent sales increase in 2020. This statistic emphasizes the importance of timely communication and adaptability in times of crisis that alter the retail environment.

SWOT Matrix

Strengths <ol style="list-style-type: none">1. Wealth of financial communication information available through website2. Accessibility3. Involvement in charities and community involvement	Weaknesses <ol style="list-style-type: none">1. No volume management system in place for stores or website2. Lower international brand awareness compared to competitors
Opportunities <ol style="list-style-type: none">1. Expand globally2. Develop social media platform3. Develop cutting-edge que management technology	Threats <ol style="list-style-type: none">1. Global competitors2. Supply chain shortages3. COVID-19 restrictions

Strengths

Canadian Tire has a wealth of financial information available to the public through their website, including financial reporting, shareholder stock and dividend information, corporate governance documents and investor resources including fact sheets and webcasts. By having transparent communication channels that are available to the public, Canadian Tire appeals to a larger audience of investors and shareholders and is a well-respected brand. Reflecting on the eleven per cent increase in sales in 2020 following the announcement of the global pandemic (Canadian Tire Corporation, 2021a), it can be suggested that Canadian Tire's strengths further include the organization's ability to be adaptable, remain committed to charity work, remain accessible and stay on top of technological advances.

An article by Elizabeth Keith (2021) illustrates Canadian Tire's ability to adapt to circumstances, announcing the return of the Christmas Trail this holiday season. According to Keith (2021), organizers reported that 98 per cent of visitors requested the return of the

Christmas Trail in 2021, exemplifying how Canadian Tire encourages community engagement despite the challenges imposed by COVID-19. Furthermore, Canadian Tire remained supportive of Jumpstart Charities throughout the pandemic, most recently committing 12 million dollars to the sport relief fund in February (Canadian Tire Corporation, 2021b). In a statistics report by Tighe (2021), there were 667 Canadian Tire stores operated in Canada in 2020. Tighe (2021b) further suggests that Canadian Tire's accessibility has made it "one of the leading retail companies in the country." Finally, a report by SWOT & PESTLE (2020) suggests that Canadian Tire has successfully "enhanced customer experience through leveraging e-commerce digital solutions," offering "the new, automated 16-foot Self-Serve Pick-Up Towers at five locations across Canada," as evidence.

Weaknesses

While SWOT & PESTLE (2020) suggest that Canadian Tire has successfully leveraged e-commerce and technological solutions in wake of COVID-19, they also acknowledge that Canadian Tire had "website issues because of high demand during COVID-19" that impacted customer experience. This exemplifies Canadian Tire's weaknesses with volume management, both in-store and online. While investigating how Canada's e-commerce changed during the pandemic, Nocolai and Grange (2021) found that there were advances in virtual queuing technology. Canadian Tire has not adopted this technology; therefore, Canadian Tire does not have technological solutions to excess in-store shopping volume. Having examined Canadian Tire's response to online and in-store volume, this aspect of operation clearly needs to be strengthened.

Having examined Canadian Tire's Twitter presence, it can be suggested that Canadian Tire expends few resources on social media. This could be perceived as a weakness because Canadian Tire is not capitalizing on the two-way communication channel that social media provides. Furthermore, social media may be a way for Canadian Tire to develop parasocial relationships with customers. Finally, the MBA Skool Team (2020) suggests that Canadian Tire's market share is limited because it is in a competitive segment; however, Canadian Tire's outlined strengths show that the company is a formidable competitor within the retail market in Canada.

Opportunities

Canadian Tire is often criticized for having not gone international years ago, but it is not for lack of trying. In an article announcing Canadian Tire's intention to purchase Helly Hansen, Shaw (2018) outlines two other circumstances in which Canadian Tire conducted business in the United States and ultimately had to sell at a loss; first with Texas-based White Stores in 1982 and later when Canadian Tire opened an auto parts chain in Indiana in 1995. As identified by Shaw (2018), Canadian Tire was hesitant to make significant investments in global expansion after these experiences; however, after purchasing Helly Hansen in 2018, Canadian Tire went on to purchase the Canadian retail branch of Party City which is composed of 65 stores and was valued at 174 million CAD (Party City Holdco Inc., 2019). Given this history, it can be suggested that Canadian Tire has an opportunity to acquire more businesses that have international roots. This will extend their business to entice international customers and lay the framework for a potential expansion into brick-and-mortar stores in other countries.

Having addressed the widely suggested opportunity of expanding globally, it is also important to consider the opportunities that have come from the COVID-19 altered retail

environment. Canadian Tire has an opportunity to develop e-commerce that is more accessible and user-friendly than their competitors. Because customers are now more interested in e-commerce in the pandemic era, Canadian Tire has an opportunity to adopt virtual queuing technology and level-up their websites to drive customer acquisition and develop a positive virtual customer experience. Social media is an untapped communication channel at Canadian Tire, as shown by the data in Appendix A. Perhaps Canadian Tire has an opportunity to expand their reach and encourage effective symmetrical communication by developing a social media platform. Finally, SWOT & PESTLE (2020) suggest that Canadian Tire may benefit from introducing electric car charging stations at their stores. As Canadian Tire is already involved in the petroleum market, an expansion into the world of electric cars would increase the appeal of the brand to those who operate electric vehicles.

Threats

Several threats that affect Canadian Tire must be acknowledged when analysing financial decisions, including global competitors, supply chain shortages and COVID-19 restrictions on capacity. The MBA Skool Team (2020) identifies Canadian Tire's main competitors as Empire (Sobeys), Metro, Loblaw Companies, Alimentation Couche-Tard, and Shoppers Drug Mart. While Sobeys and Shoppers Drug Mart are predominantly Canadian-operating companies, Loblaws has stores in 23 countries (Shaw, 2014) and Alimentation Couche-Tard has locations in 14 countries (Alimentation Couche-Tard, n.d.). Competitors who operate internationally are a threat to Canadian Tire because international customers may gravitate towards familiar brands.

Another competitor of Canadian Tire is Walmart – this, too, is an international competitor that may be more familiar. Both global and national supply chain shortages are a

threat to Canadian Tire. In a media release from Deschamps (2021), Canadian Tire seems confident in their ability to combat global supply chain problems; they have adopted the “order more sooner” approach to supply chain issues. Deschamps (2021) acknowledges how, in response to shortages, “Canadian Tire chartered four ships to get its products – namely Christmas and winter items – to Canada in time for the fourth quarter.” It is important to also consider domestic supply chain issues – such as the floods in British Columbia that closed major highways for days. Reflecting on this current event, it is clear that without national mobility, it would be difficult for Canadian Tire to deliver online orders, receive shipments from within the country, and may make it difficult for people to travel to a store.

Finally, critically reflecting on the global circumstances, COVID-19 capacity restrictions and vaccination requirements may make it difficult for Canadian Tire to mediate store volume and ensure positive customer service experiences. Vaccine policies may also affect Canadian Tire’s ability to staff their brick-and-mortar stores.

Recommendations

Having examined the strengths, weaknesses, opportunities, and threats of Canadian Tire’s internal and external environment, I would suggest that the company focuses on developing volume management tools as the holiday season approaches. As suggested by Nicolai and Grange (2021), one of the most significant technological advances made during the pandemic is virtual queuing technology: a tactic that improves customer experience and decreases the chance of an outbreak. Furthermore, I would suggest that Canadian Tire should continue to invest time and money in creating synthesisable information sheets and communications pieces for investors

and shareholders. This is a strength that is evident having explored the corporation's website. An example of an effective communication piece is included in Appendix B.

After researching Canadian Tire's acquisition efforts, I would encourage the corporation to remain actively focused on expanding. I agree with their hesitation to get involved in another international endeavor; Canadian Tire has a loyal customer base in Canada that is cemented through rewards programs and a long history of good quality and positive customer experiences. By developing and maintaining an adaptable and financially sound plan that outperforms competitors, Canadian Tire will be able to continue increasing sales and potentially experience growth in market share for the remainder of the pandemic.

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Appendix A: Data Tracking

Share Price Tracking

The first two columns of the following table are from the Issue Backgrounder I assignment. The second column includes more recent data. In analysis of the data, Canadian Tire's share price is decreasing; the peak of share price was on October 19.

Date	Share Price (CAD)	Date	Share Price (CAD)
Oct. 15	183.92	Nov. 12	181.08
Oct. 18	184.72	Nov. 15	180.68
Oct. 19	185.65	Nov. 16	177.77
Oct. 20	184.90	Nov. 17	176.17
Oct. 21	185.06	Nov. 19	173.72
Oct. 22	183.01	Nov. 22	173.18

Social Media Tracking

The following table includes the initial social media data that was collected for the Issues Backgrounder I assignment and more recent data collected for comparison. Analyzing the results, Canadian Tire clearly does not expend resources creating a notable Twitter following. Few Tweets are made; Tweets that are made have little engagement.

Date	Number of Tweets	Likes (respectively)	Re-Tweets
Oct. 8	1	11	2
Oct. 11	2	1, 11	1, 3
Oct. 15	2	10, 41	3, 5
Oct. 22	1	1	0
Nov. 12	3	1, 11, 8	0, 1, 5
Nov. 16	3	0, 5	0, 2
Nov. 19	1	4	1
Nov. 22	2	0, 5	0, 1

Appendix B: Investor Fact Sheet

This is an investor fact sheet that summarizes the third quarter of 2021. The document contains digestible and visually organized information that is relevant to investors and highlights financial data. This is one of many examples available through the Canadian Tire Corporation website.

