J.C. WILLIAMS GROUP
NATIONAL RETAIL

# Bulletin

January 2002 Retail Sales • Released March 21, 2002

## No January Freeze for Canadian Consumers

2002 started off with a bang carried over from a strong holiday season in 2001. Canadian consumers warmed up to retailers by continuing to purchase up a storm. No snowplows were needed as retail sales plowed ahead 8.1% in January compared to last January signaling a phenomenal start to the new year.

All Stores Less Auto, Food, and Drug jumped 7.5% for the month compared to one year ago. Furniture, Appliance, Furnishings Stores led the way posting double digit, 13.2%, growth spurred by an extremely aggressive housing market, assisted by extremely low interest rates. J.C. Williams Group's research and experience revealed that a strong increase in housing starts and sales manifests itself in strong household furnishings sales up to six to nine months later. As a result, J.C. Williams Group expects this category to remain competitive and strong throughout 2002.

Department Stores proved a popular shopping destination compared to Women's and Men's Specialty Clothing Stores. Department Stores witnessed an 11.7% increase in sales, in part due to new store openings (745 in January 2002 compared to 733 in 2001), whereas Women's Clothing Stores fell by 0.5% and Men's Clothing Stores continue the free fall, closing 2.4% lower than last year at this time. It should be noted that inflation for clothing in January fell by 2.4%. Shoe Stores took a significant chunk of the January growth numbers stepping ahead 12.9%, a welcome sign despite the lack of boot sales due to mild weather. The high January 2002 Shoe Stores sales growth is also partly explained by the extremely weak sales in January 2001. Last year, Shoe Store sales fell 5.9% compared to January 2000.

## Regions On Par For the Course

Throughout 2001, Canadian retail sales growth favoured Western Canada as Ontario stumbled. With the start of 2002 each of the regions are placed on more equal footing. While the Prairies are still ahead of the rest of the pack (10.1%) and are projected to remain there, Ontario shows signs of coming back.

## Census Sales Bearing

Statistics Canada recently released the first part of the 2001 Census. Two major findings affecting retailers include:

- Continued urbanization, and
- Immigration driving population growth.

Retailers' strategic plans should include consideration for the growing number of consumers in Canadian cities, in particular the Golden Horseshoe, Montreal and environs, B.C. Lower Mainland, and the Calgary–Edmonton corridor. In addition, the growing ethnic mix due to immigration will affect the retail strategy. Those that change with the population will be better suited to grow.

## The Sales Gap

I read it several years ago, but I'll never forget the quote from the legendary Les Wexner , founder and driving force behind The Limited Group, who said something like "it is nonsense for retailers to blame sales declines on the weather or economy. The only significant driver of sales is their merchandise." If the merchandise is great, sales will be good, and if not, sales will be bad. How else to explain Wal-Mart's double digit track record and Gap's –16% performance. Month after month for over a year now, we're astounded at Gap's boring and mundane apparel offering. They totally missed a colourful, gift giving campaign at Christmas. Last fall, they introduced nothing new or compelling. As for 2002, their offering includes items that our closets are all ready full of from previous campaigns: denim, khakis, white shirts… boring. Gone are the fresh faced, poster people with fresh items and fresh appeal. Replaced by wane looking characters in bland clothing. Really, it is a wonder they are just down 16%.

This example is one we have noted before. Consumers have a lot of money and credit. It's the retailers job to woo and wow it out of their wallets by offering new and enticing merchandise. No merchandise wow, then no sales wow! It's that simple.

*By John C. Williams*

## Release Date of The Next National Retail Bulletin

April 23, 2002

<u>Please note</u>:
The J.C. Williams Group National Retail Bulletin compares the latest monthly release of "raw" (i.e., unadjusted for seasonality) retail sales figures to those in the *same calendar month of the previous year*. Statistics Canada also reports seasonally adjusted sales that are compared to the *previous month within the current calendar year* to measure change in Gross Domestic Product (GDP). Although other sources use seasonally adjusted figures, J.C. Williams Group believes that using raw figures and making comparisons to the previous year's performance more accurately reflects the seasonality of the retail industry and, therefore, are more useful in analysis.

J.C. WILLIAMS GROUP

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## Retail Sales by Store Category

| Sales for the Month of: January | 2002 | 2001 | 2002 / 2001 |
|---|---|---|---|
| **All Stores** | **21,488.8** | **19,886.6** | **8.1%** |
| Automotive Group | 8,593.1 | 7,974.5 | 7.8% |
| All Stores Less Automotive | 12,895.8 | 11,912.1 | 8.3% |
| Food and Drug Group | 6,443.5 | 5,911.6 | 9.0% |
| **All Stores Less Auto, Food and Drug** | **6,452.3** | **6,000.5** | **7.5%** |
| **General Merchandise Stores** | **2,079.6** | **1,990.8** | **4.5%** |
| Department Stores (incl concessions) | 1,232.2 | 1,103.3 | 11.7% |
| **Furniture, Appliance, Furnishings Stores (incl. Electronics)** | **1,268.9** | **1,121.2** | **13.2%** |
| **All Clothing and Shoe Stores** | **1,005.8** | **958.0** | **5.0%** |
| Women's Clothing Stores | 287.7 | 289.3 | -0.5% |
| Men's Clothing Stores | 96.7 | 99.1 | -2.4% |
| Other Clothing Stores | 500.0 | 462.1 | 8.2% |
| Shoe Stores | 121.4 | 107.5 | 12.9% |
| **All Other Retail (except auto, food, drug)** | **2,098.1** | **1,930.5** | **8.7%** |

| Year-to-date Sales | 2002 | 2001 | 2002/2001 |
|---|---|---|---|
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ALL DOLLAR VALUES EXPRESSED IN MILLIONS OF CANADIAN DOLLARS; UNADJUSTED FIGURES; SOURCE: STATISTICS CANADA

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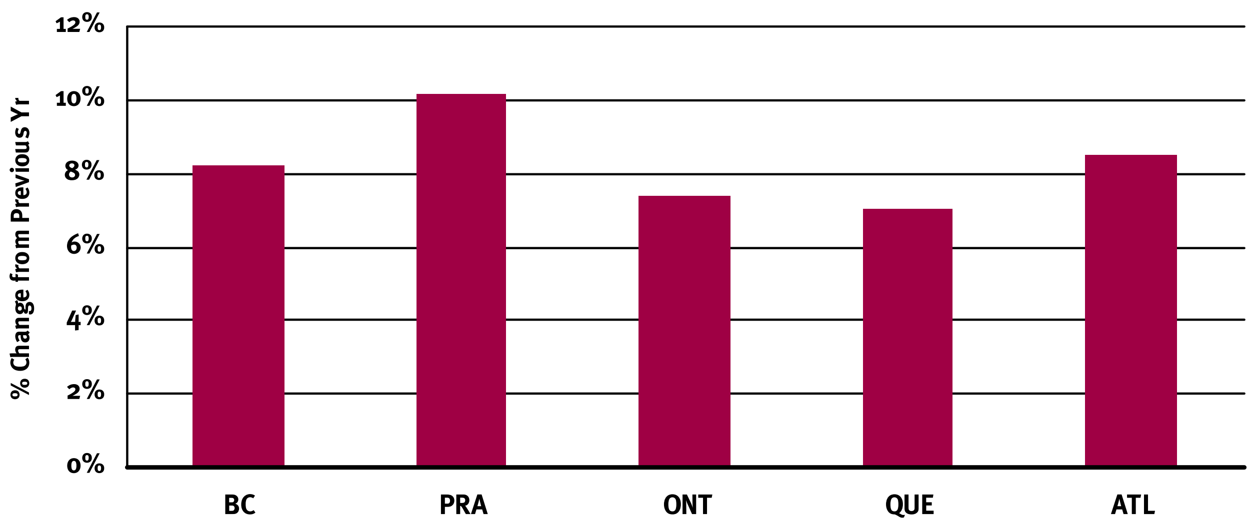
## Retail Trade, Canada, All Stores, By Major Region

| | Year-to-Date 2002 | Same Period 2001 | Change 2002 / 2001 |
|---|---|---|---|
| British Columbia | 2,877.5 | 2,658.5 | 8.2% |
| Prairies | 4,050.3 | 3,677.1 | 10.1% |
| Ontario | 8,179.3 | 7,617.5 | 7.4% |
| Quebec | 4,725.8 | 4,416.2 | 7.0% |
| Atlantic Canada | 1,577.2 | 1,453.5 | 8.5% |

**Percentage Change in Retail Trade, All Stores, by Region**
**Year-to-Date Compared to Same Period Last Year**

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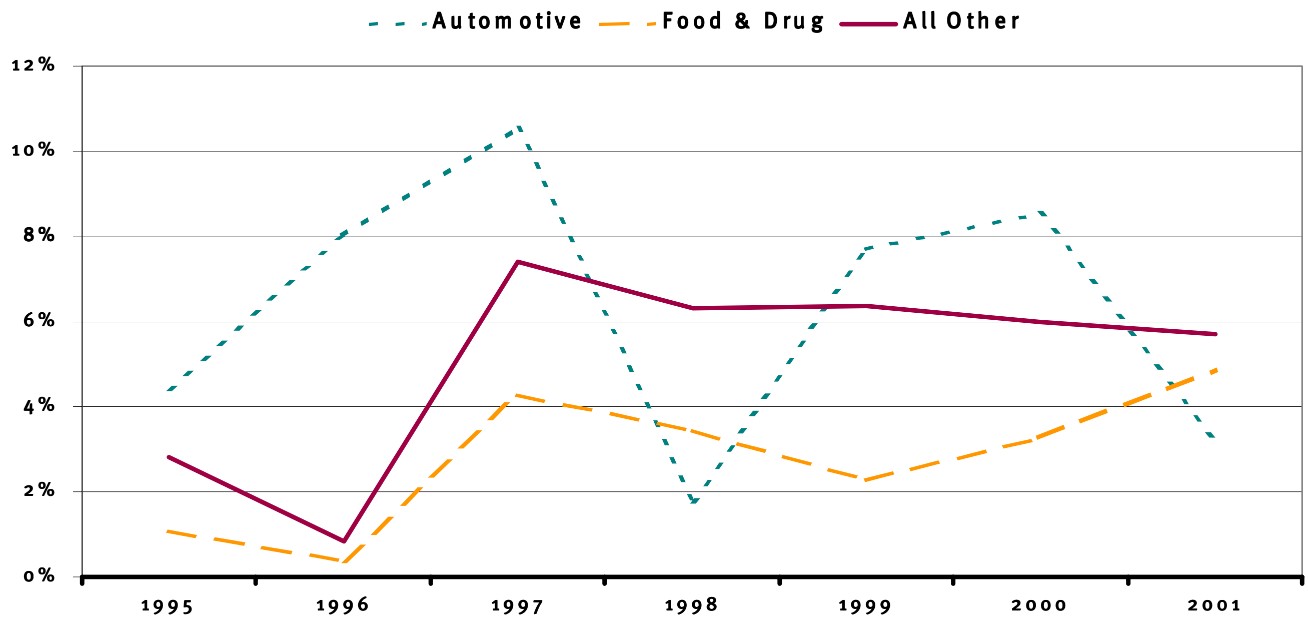
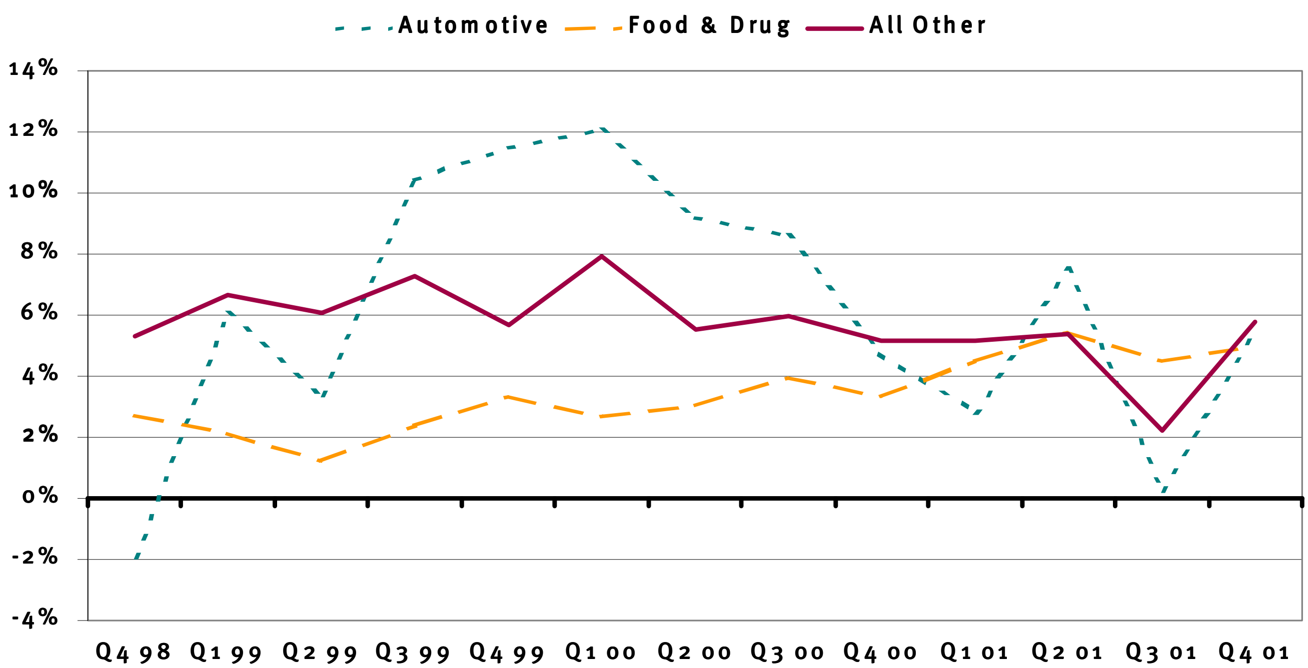
## Canadian Retail Sales by Major Product Categories Year Over Year (1994 -2000)




## Canadian Retail Sales by Major Product Categories From the Same Quarter A Year Earlier

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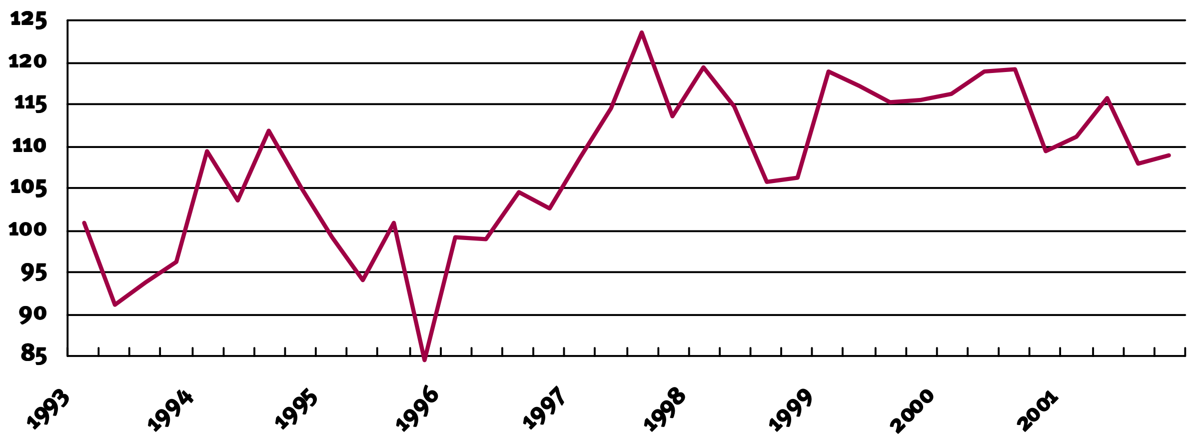
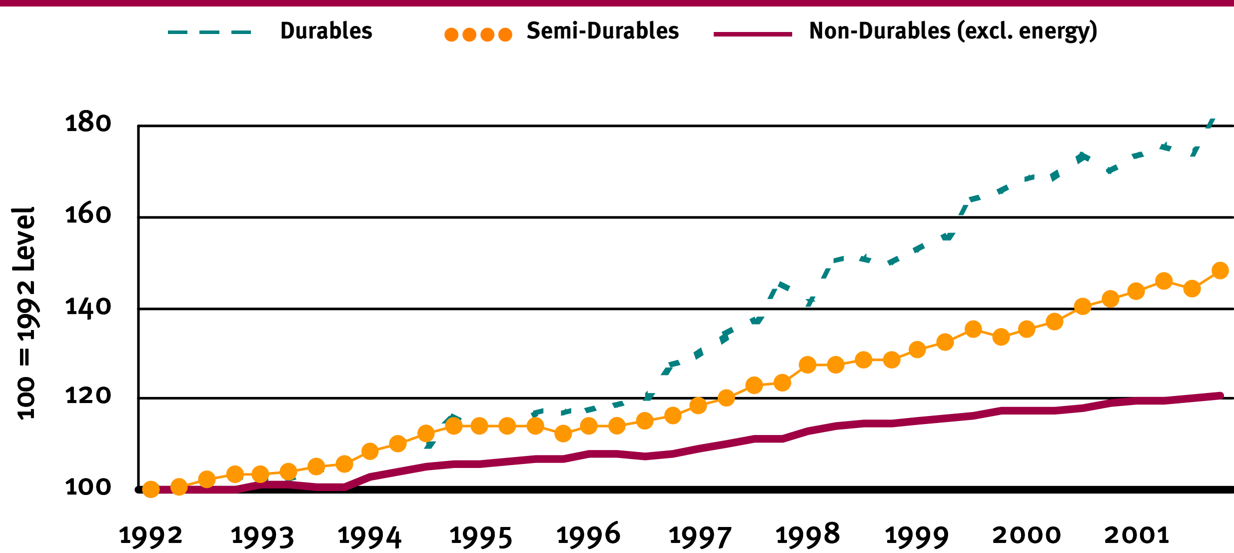
| Consumer Price Index | February 2002 | vs. | February 2001 | 1.5% |
|---|---|---|---|---|

## Canadian Consumer Confidence Index 1993-2001




Source: Conference Board of Canada

## Canadian Consumer Expenditures Index 1992 - 2001

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