



Photo by Lance Thomson

“The real flare is finding the right merchandise and building the right store team for a particular community.”

*Edward Kennedy,
President & CEO of the
North West Company*

Knowing Who Buys What

North West Company's retail strategy

By Barbara Edie

In the reception area of The North West Company's Winnipeg offices on south Main Street, hang seven detailed sketches of aboriginal and Inuit faces and their stories.

They suggest that this company not only serves the people of the north but it knows who they are and what they need.

One of the largest and oldest retailers in North America, NWC, and its predecessors, have been providing food, general merchandise and services to remote areas of northern Canada and Alaska since 1668.

The Company's focus on Best Practice training and new technology is key in its ability to tailor goods and services to the diverse communities it serves says President and CEO Edward Kennedy.

That's not an easy task when you consider the company's geographical and cultural breadth.

With retail operations from the Aleutian Islands of Alaska, across northern Canada, almost to the coast of Greenland, North West's customers speak at least 14 different languages and come from a wide mix of social, ethnic and economic backgrounds.

While very successful in meeting the demands of this unique retail market, The Company is not one to sit on its laurels.

Kennedy says, “We've been in this business for 300 years but have to keep asking what else do we need to know? We operate on the principles of continuous improvement and innovation.”

These principles have served the company well. Last year, 2004 marked the company's sixth consecutive year of higher revenues, with

sales reaching \$788 million, up from \$783 million in 2003.

While North West's stores sell a wide range of goods and services, food products are the company's bread and butter accounting for about 68% of its sales in Northern Canada and 80% in Alaska.

“One of our key strategies is to measure how much we are selling per person in the north,” Kennedy says. “Our goal is to optimize sales per person, especially in food.”

Managers now track what's selling and create an ‘intelligent menu of choices’ for their customers, as well as make more informed buying decisions for their stores. “The oxygen that lets us compete with the large retailers is the ability to localize and be a community store for customers with specific needs,” Kennedy adds. “Some customers spend well over \$5,000 a year in our stores; the

lifetime value of one customer could be a quarter million dollars for our company.”

As managers become more accountable, and successful in ordering merchandise and finding new market opportunities, they have the added incentive of becoming profit-sharers. The move toward profit-sharing for managers has worked well in the company's new southern Giant Tiger stores and was recently rolled out to include the northern outlets.

As Kennedy succinctly points out: “retail is in the detail.” In 2004, 60 northern Canada retail managers completed Best Practice training; and new in-store information systems were installed in 137 stores. This investment in training and technology has delivered more efficient customer transactions, including faster check-outs, as well as streamlining operations and increasing productivity.

This streamlining strategy includes reducing “non-selling” activities - the details, paperwork and even emails that bog managers down and take them away from customers. Increasingly automated in-store systems now manage receiving and moving merchandise, accounting and other office functions electronically rather than by paper-driven processes.

While North West's stores sell a wide range of goods and services, food products are the company's bread and butter accounting for about 68% of its sales in Northern Canada and 80% in Alaska.

In addition, the company has invested about \$20 million in new technology to speed up check-out times. Debit and credit transactions that used to take up to 30 seconds in northern stores may now take only one or two seconds, says Kennedy.

Over the course of millions of transactions seconds saved means sales and profits gained.

The North West Company has two Best Practice training sites where managers spend three to four weeks, at a cost of about \$8,000 per person, to learn how to get their stores ready for business. That includes what their daily routines should entail and how a Best Practice store should look and function.

“Best Practice managers think outside the box ... always looking for new opportunities to get sales,” says Kennedy. “The real flare is finding the right merchandise and building the right store team for a particular community.”

The next phase will be to continue to recruit people who have retail, customer service or business experience, and expand into leadership training. Last year, 20 people completed this new “managers-in-training” program that aims to raise the bar of capability and reveal those with true management potential.

While North West's food business has been the priority for programs, training and store investments, the company is also looking to leverage its community presence and expertise to offer other convenient, local services. For example, more than 100 northern outlets offer tax preparation services, and three stores have pharmacies with three more to be added soon; three new gasoline bars have been tested at road locations; and the company has started to sell more motor vehicles in the north.

In the south, The North West Company has expanded its operations through its alliance with the Giant Tiger Stores - the all Canadian family discount store. North West now has 11 Giant Tiger Stores operating in western Canada, nine of which are in Manitoba. Its knowledge of the low income demographic and well established food buying and distribution capabilities gained from its northern operations gave the company the leverage it needed to move easily into this market. The company expects to see “meaningful profit” from these stores

AIKINS

▪ *Creative Legal Solutions* ▪

SINCE 1879

AIKINS, MACAULAY & THORVALDSON LLP

Proud to be the
legal advisors of

Northwest Company

winners of a
**Best in Business Practices
Award**

when they have opened at least 20 that have been operational for one year.

In 2005, The North West Company will continue to refine its Best Practice training; the program has been completed in its large stores and now will be implemented in small and medium-sized outlets, and extended to its Alaskan operations.

In-store technology will continue to advance as a new satellite network provides the “communication backbone” for northern outlets as well as a new suite of automation tools. The company will also bolster its “manager-in-training” program to further deepen the talent pool.

A localized assortment of merchandise, giving managers the skills they need “on the floor,” and understanding the unique lifestyles of its customers gives The North West Company its competitive edge over box retailers, says Kennedy. “We can do almost anything in meeting customer needs ... as long as the strategy is well thought out.” (Barbara Edie is a freelance assignment writer based in Winnipeg.)