REMEMBERED FUTURES: A NARRATOLOGICAL APPROACH TO STRATEGIC ANALYSIS AND HEURISTIC SCENARIO PLANNING IN THE GROCERY RETAIL INDUSTRY

by

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ABSTRACT

The purpose of this project is to illustrate how narrative techniques can be used to analyze and generate strategy. Grocery retail is the industry focus, with Loblaw Companies Limited acting as the fulcrum firm. Of particular interest are the conclusions drawn and potential new corporate and business unit direction in a mature, low-growth, and highly competitive market. Analysis of these potential strategic decisions will culminate in the development of a series of scenarios. These scenarios will then be reapplied to the organizational narrative to assess story fit.

KEYWORDS:

grocery retail; strategic analysis; narrative theory; narratology; narrative strategy; scenario planning

EXECUTIVE SUMMARY

"Remembered Futures" endeavours to develop and analyze narrative techniques in the analysis and generation of strategy.

Strategy formulation relies heavily on systematized methods of quantitative analysis and industry positioning. Competitors are grouped into well-defined categories. Suppliers are relegated to a spot on a "Five Forces" diagram. Complexity is sacrificed in the name of simplicity. Today's competitive landscape, however, moves quickly and there is no neat categorization of customers, competitors, and substitutes. What is needed is a more fluid approach. Competitors are also customers, and suppliers. They can be all of these at once, or slip almost imperceptibly from one to another.

Narratives, however, are by their very nature devices used to make sense of complex ideas and relationships. This thesis sets out a general methodology for narrative strategic creation that captures the constantly evolving dynamics of today's operating environment.

Steps include:

1. Establish key force drivers in the industry
2. Develop competitors as narrative characters
3. Devise key force driver 'clusters'
4. Consider story structures to 'hang on' the organizational and industry story
5. Create short 'one-pager' treatments of each character

6. Create a more detailed ‘beat sheet’
7. Expand on key decision focuses and driving factors that emerge from narrative exercises
8. Scenario planning and potential strategic responses
9. Realignment of past and present organizational story with scenarios in an effort to assess the narrative “fit” of an organization

Three scenarios developed are:

1. “The Emergence of Online Retail: The Tyranny of Choice and the Rise of the Supplier” Product and Lifestyle Segmentation in the online grocery retail industry
2. “Prime Time Throw Down” Industry Shakedown
3. “Zero Mile Diet” The Path to Urban Produce Hegemony

Primary focus of the strategic analysis centres on the mass grocery retail industry in Canada. This is a mature, low growth, low margin, and highly competitive industry with the constant threat of new, global competitors entering the market, as well as disruptive business models further negatively impacting sales and future growth and profitability.

The fulcrum firm is Loblaw Companies Limited.

The conclusions drawn echo the overall sentiment that the mass grocery retail industry in Canada is entering a shake up phase of fierce competition, possible new market entrants, and potential market exits by some of the traditional key players. The adaptability of large, bureaucratic firms will be key to survival and continued success.

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GLOSSARY

Basket Size	Single visit grocery buy from a customer
Denouement	Solution, conclusion or the untying of a plot
JIT	Just In Time
SKU	Stock-Keeping Unit
3PL	Third Party Logistics Providers

1: INTRODUCTION

1.1 OVERVIEW OF STRATEGIC ANALYSIS METHODOLOGY

> "The stories we tell ourselves are powerful. David Ingvar, a Swedish neurobiologist, has written of scenarios as "memories of the future." He concluded... that the mind constantly tells itself stories of the future. Sometimes these are stories about the next few seconds. At other times, they are stories about the next hours or weeks, from walking across the room to get a cup of coffee to paying the rent... In his earlier work with brain-damaged patients he had observed that... they could not understand the meaning of events... they lose their connection between imagination and action." [1]

Since strategy's emergence in the 1960's as a key tool in the success of any organization, the central tenants of strategy creation and generation have not changed dramatically. Strategy tool kits were created, exacting and codifying devices meant to pare down industry complexity, categorize all the critical details into tables, graphs, and charts. Most strategic analysis continues to use these tools. But the business landscape has changed dramatically since then. Product lifecycles have shrunk and competition is

[1] Schwartz, Peter. (1991). *The Art of the Long View.* Toronto, ON: Currency Doubleday.

increasingly global. Companies are forming progressively more partnerships and substitute goods cross industry boundaries. But the tools used to capture and simplify this messy situation have not fundamentally changed.

These classical tools are opinions and points of view in the guise of scientific, incontrovertible proof. The charts and graphs are useful and helpful ways for an organization and its executives to visualize the world they must operate in and try and capture value within. But these are merely ways of perceiving complexity. And with a constantly evolving world market, strategic tools must also evolve.

Somewhere, the connection between imagination and action was lost. This paper, then, is an attempt at presenting another, hopefully useful, way of perceiving the business landscape. Classical tools are still employed. But they are also here juxtaposed with narrative techniques, creative plot and character creation, meant to assist the organization in re-perceiving the industry landscape, competitor motivations, as well as 'sniffing out' potential subplots or emergent threats.

Specifically, story development will be used to capture current state and future outcomes. Harold Jacobines, a leading proponent of narrative, or play script style strategy, suggests that scenario planning is useful for an organization, but "the emphasis is on generating static landscapes: still pictures of the future." [2] The solution to this is to generate micro scenarios, pieces of the past and probable futures, which can then be 'storyboarded', combined and recombined, in a series of sequential combinations. From

[2] Jacobines, Michael. (2010). *Strategy Tools for a Shifting Landscape.* Boston, MA: HBR, January-February.

these storyboards, play scripts can be drawn up, useful connections and potential outcomes gleaned, and then changed as needed.

The key to this method is about defining the type of environment the organization operates within. In *Strategy Safari* it is noted by Smircich and Stubbart that there are three "competing conceptions" of what, precisely, the environment is.

1. The Objective Environment: The common approach to strategy formulation takes this view of the environment as a given. "Analysis thus entails *discovery,* or finding things that are *already somewhere* waiting to be found… [and then] to delineate a strategy that will meet [them]." [3]

It is this approach, the objective environment that is most readily employed as the basis for strategic decision making. But Smircich and Stubbart go on to identify two other approaches to negotiating the strategic environment:

2. The Perceived Environment: from this perspective, strategists are "trapped by bounded rationality." [4] The strategist's ability to perceive the environment is flawed and incomplete. The strategist must work with asymmetrical information, and limit exposure to information gaps. Reality is a bit elusive.
3. The Enacted Environment: a perspective in which there is no objective environment. The "environment is generated by human actions and accompanying intellectual efforts to make sense out of their actions… The world is essentially an

[3] Mintzberg, Henry. Ahlstrand, Bruce and Lampel, Joseph. (1998). *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management.* New York, NY: Free Press.

[4] Mintzberg, Henry. Ahlstrand, Bruce and Lampel, Joseph. (1998). *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management.* New York, NY: Free Press.

ambiguous field of experience." [5] Strategists begin by making connections, then patterns, and imposing them onto actions. There is a struggle to find meaning. The environment is essentially a blur of meaningless and pointless elements that can be brought together in countless ways in the pursuit of creating meaning and generating causality.

The enacted environment will be conjured repeatedly in this analysis.

The grocery mass retail industry is the subject focus of this strategic narrative analysis. The fulcrum firm is Loblaw Companies Limited.

[5] Mintzberg, Henry. Ahlstrand, Bruce and Lampel, Joseph. (1998). *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management.* New York, NY: Free Press.

2: CURRENT SITUATION ANALYSIS

2.1 INTRODUCTION

The current situation analysis will focus on the following areas:

1. The Strategic Quandary: What are the central questions that the fulcrum firm is, or should be, concerned with?
2. Basic Firm Facts: Historical overview, business unit breakdown, supply chain, activity map, and ownership structure of Loblaw Companies Limited
3. Competition: How strategic units are broken down. Who the major competitors and potential emergent competitors are. Competition as defined by channel segmentation.
4. Market Analysis: Industry life cycle, market structure, and five forces.
5. Category Customer Matrices: Categories and market customer data.
6. Current Strategy: What is the current strategic position of Loblaw?
7. Financial Performance: How do Loblaw's primary and secondary competitors perform financially?

2.2 THE STRATEGIC QUANDARY

Loblaw Companies Limited is the market leader in the grocery retail industry in Canada, with nearly double the market share of its next closest competitor. However, Loblaw faces fierce internal competition from regional players, equally fierce competition from deep-pocketed international entrants, widely dispersed small, local players, convenience platforms, as well as online retailers with yet unknown consequences. The current central strategic question is how to address Wal-Mart's aggressive entrance into the Canadian market. However, there are several other strategic problems that need to be considered, including:

1. The prioritization of other competitors
2. Immediate threats and future threats
3. Maintaining market share
4. Growing the business and sales, while balancing the need for market penetration with the quest for margins
5. Being prepared for future urban and online threats
6. Demographic and consumer trends and implications
7. Industry exit strategies and anti-trust implications

2.3 BASIC FIRM FACTS

2.3.1 Historical Overview

The first Loblaw grocery store opened in Toronto in 1919. The store, "Loblaw Groceterias Co." was considered revolutionary at the time. The store was based on a self-serve model, a new concept where, traditionally, customers waited for a clerk to fetch their groceries for them. The Loblaw slogan, even at the time, was "We Sell for Less".

Loblaw expanded across Ontario and into the United States. They began offering meat and produce in the 1930's. In the post-war era, Loblaw banners became "supermarkets", similar to what we continue to see today: large stores located in suburban areas with massive parking lots.

Garfield Weston acquired the majority ownership interest of Loblaw in the 1950's.

In the 1970's, Loblaw experienced significant setbacks as price wars cut into its market share. It was at this point that Galen Weston first took over as CEO. Innovations drove market share and sales back up. Most significantly, the innovations included moving produce and other popular foodstuffs to the front of the store, to drive traffic inside, and the opening of "No Frills" stores. With the company still facing a bleak future, the American operations were divested under the banner "National Tea".

President's Choice, Loblaw's private controlled label, made its debut in 1984.

For a perspective on the evolution of the Weston's family controlling stake, the company in 1972 had a market capitalization of approximately $40 million. [6] Currently, market capitalization is over $12 billion, with the market value of Loblaw estimated in the $20 billion range.

2.3.1.1 Historical Strategy

Loblaw has historically experienced periods of nebulous strategic perspective. These periods are followed by rapid involvement from the Weston family, followed by heavy investment in store and supply chain infrastructure, and rapid innovations in retail and product development. This cycle has recently repeated itself, as Loblaw faced another significant downturn in the early 2000's that culminated in the naming of Galen Weston Jr. to CEO by his father.

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[6] Loblaw. (2011). History of Loblaw. Retrieved February 18, 2011 from: http://inside.loblaw.ca/en/Our Company /Pages/HistoryofLoblaw.aspx

2.3.1.2 Current Mission

Currently, the company's mission is "to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. Driven by our responsibility to:

- Respect the environment
- Source with integrity
- Make a positive difference in our community
- Reflect our nation's diversity
- Be a great place to work"[7]

2.3.2 Business Units of Loblaw Companies Limited

Although all business units can fall under the general heading of retail, there is category division that sets the framework for strategic decisions and formulating competitive advantage. Loblaw first divides business units under three broad categories:

Table 1 Loblaw Business Unit Categories

Food	Non-Food	PC Financial
Grocery Produce Meat Dairy Bakery HMR – Ready Made Meals Seafood Liquor	Apparel General Merchandise Pharmacy Optical HABA (Home and Beauty) Gasoline	Basic banking Loan/Mortgages Insurance

[7] Loblaw. (2011). Missions, Values, and Behaviors. Retrieved February 19, 2011 from: http://inside.loblaw.ca/en/OurCompany/Pages/MissionValuesandBehaviors(MVB).aspx

Even within these narrowly defined groups is a great deal of differentiation and sub, and sub-sub, category separation. For example, grocery alone has over 100 sub-categories, each with its own reporting structure and sales objectives.

2.3.3 Control Situation

Loblaw is a publicly traded firm, with a 64% ownership stake of common shares [8] by its parent company, George Weston Limited. George Weston Limited has two main businesses: Loblaw, and Weston Foods, a large presence in the North American bakery business. Despite this, the company is essentially family owned. The Chairman and President is W. Galen Weston, while the Chairman and President of Loblaw is his son, Galen Weston.

It would appear that throughout George Weston Limited's history, they have experienced varying degrees of perceived agency problems with the team charged with running Loblaw. As this becomes evident, the Weston family returns, tightens control of the company, until profits and market share return to acceptable levels. They then loosen the reins. The results appear to be, at least historically, a strategic drift where the company loses perspective of its core competencies and its ability to leverage historical strengths. It is unclear how many times this pattern can or will be repeated.

[8] INVESTING: Shareholder Information. (2011). Retrieved February 9, 2011 from: http://www.loblaw.com/en/inv_sharehold.html

2.3.4 Flow of Goods Analysis

2.3.4.1 Supply Chain

A standard grocery supply chain would include the following units of activity described below. (See Appendices A for flow chart).

2.3.4.1.1 Processing

Processing involves the growing, cultivating, and harvesting of products. These products are predominantly the raw materials that are combined in order to produce saleable goods. Most goods are commodities, subject to market fluctuations and inflation.

2.3.4.1.2 Production

Production focuses on the preparation of grocery items. It includes the technical blending of ingredients where applicable, cooking, and packaging.

Certain retailers have integrated vertically in an attempt to differentiate in focused grocery categories. One such example is Safeway's ownership of Lucerne, which owns and operates several food processing and manufacturing plants in Western Canada. Production under Lucerne includes meat packaging, cheese, milk, eggs, bread, and fruits and vegetables. [9]

Other retailers have likewise targeted production of key categories, including Loblaw's Western Canadian meat processing plants.

[9] Safeway. (2011). *Buying Local*. Retrieved April 16, 2011 from: http://www.safeway.ca/community/buying_local.html

2.3.4.1.3 Procurement

Grocery retailers generally have a procurement division in charge of procuring necessary goods for sale. Procurement will work closely with the category teams and retail on forecasting future sales.

The current trend in the grocery retail industry is developing close information relationships between procurement and vendors/suppliers. This is a focus of competitive advantage. Significant capital can be “freed up” by reducing days on hand inventory. Retailers are increasingly working with vendors to reduce the volume of each delivery, instead ordering frequent, smaller deliveries.

2.3.4.1.4 Inbound Transport and Logistics

The key role of inbound logistics is moving goods from vendor points to retailers’ distribution centres. Some processes skip distribution all together, and inbound moves goods direct to store, reducing inventory transit times.

2.3.4.1.5 Distribution

Distribution acts as the sorting point for retail store goods. Goods are brought in, generally, in bulk by inbound transport. Distribution then receives the goods, potentially checks for defects in product and packaging, and then distributes goods to retail stores. Often, a storage lag time involves the receiving of goods, and then the passage of a period of time before outbound orders are generated and goods flow to stores.

2.3.4.1.6 Outbound Transport

Outbound transport moves goods from distribution centres to stores. Its primary responsibility is balancing significant fuel and related transport costs with the need to provide “store friendly” deliveries.

2.3.4.1.7 Retail

Retail represents the consumer point of contact for all goods that move through the supply chain. Activities include banner advertising, merchandising, store set ups, stock replenishments, display set ups, customer services, store renovations and maintenance.

Stores increasingly compete on either a differentiation or low cost platform, and store operations reflect this. Stores will offer high-end displays and well laid out produce, or they will offer bins of products or pallets of stacked goods brought directly from the backroom and onto the selling floor.

Customer relationships and access has evolved analytically, where customer loyalty programs aggregate consumer-spending data so that retailers can explore optimal price points, spending habits, and demographic preferences in order to increase customer basket size.

Grocery retail involvement upstream is primarily tied to an exchange of information with suppliers, moving towards a JIT model, freeing up working capital by reducing inventory hold times.

2.3.4.1.8 Supply Chain Summary

Mass grocery retailers focus heavily on the downstream activities in a supply chain, mainly distribution, outbound transportation and, of course, the management and operations of the retail stores. The predominant ethos to this approach has been the perception that little value is added upstream. Staple foods such as fruits, vegetables, grains, and meat products are hard to differentiate, have high capital costs to produce, and are subject to rapid changes in customer preferences and easily substituted (i.e. sudden shift in popularity from chicken to fish, etc.).

Another very practical reason why major grocery retailers do not focus upstream is the sheer number of food items commonly available on shelves, and the complexity involved in producing them all. The recent trend in Canadian retailing is to move further downstream, shedding both the responsibility for distribution and outbound transportation. This is possible in part because of Canada's mature rule of law, making transaction costs of these key functions low enough to represent a viable option. Likewise, as supply chains have grown increasingly global and complex, international consulting firms such as Accenture have sprung up and offer a wide array of logistical services, making outsourcing an attractive option.

Wal-Mart, famous for its advanced supply chain, works primarily through third party logistics providers (3PLs) in Canada. Wal-Mart has, however, recently shifted their supply chain strategy and moved distribution activities for the Ontario region back in-house.[10] Loblaw has moved towards a mixed model, divesting many of its old distribution facilities and contracting 3PLs to handle their distribution networks. Significant procurement functions and teams have also been outsourced. There are many reasons for this trend, including avoidance of increased union labour costs. There is, however, the possibility that key industry players have identified the retail store as holding the most value added opportunities, and hence the main 'battle ground' to be fought and won. The rest of the supply chain is thus commoditized, and becomes

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[10] Strauss, Marina. (2010). *Wal-Mart Canada takes bite out of food costs.* The Globe and Mail. Retrieved April 16, 2011 from: http://www.theglobeandmail.com/globe-investor/Wal-Mart-canada-takes-bite-out-of-food-costs/article1801729/

available for future competitive advantage initiatives at some point in the future, when there is a price “stale mate” at the retail level. Wal-Mart appears to have pre-emptively done just that.

2.3.4.2 Activity Map

(See Appendices B for Activity Map diagram).

The coordinated activities of Loblaw are critical when considering the mixed strategy position they wish to maintain. There is a blend of hard discount activities and products such as the No Name label that also must align with a differentiation strategy. The differentiation side of the activities are also heavily connected to private label brand control, mainly in the form of PC products, as well as Joe Fresh apparel.

Although new product development is traditionally the focus of suppliers and has its own unique strategic focus, including product positioning and target marketing, it has become a key strategic activity in the mass grocery retail industry. This is due to increased consumer demand for private label goods, both premium and discount. Product development is now crucial for a cost leadership, a differentiation, or a mixed strategy position. The rise in popularity of private label brands, referred to in the product development world as “distributor brands” versus “manufacturing brands,” has created a separate industry of third-party product developers. Where traditional national brands develop products in house, retailers will often source the different stages of product development (customer analysis, etc.).

Large, global retail players with significant supplier leverage also work with suppliers on developing “exclusive” product offerings in their stores. Wal-Mart has been a market leader in this development strategy, working with global suppliers to develop unique products under supplier brand names, but offered exclusively at Wal-Mart stores.

Hypermarket activities are increasingly central to operations, due to the margin potential of the channel. This margin potential comes in the form of Home, Beauty, and Apparel offerings, which have higher margins, with low-margin grocery driving traffic into the stores.

Category management and ethnic foods also have a strong relationship, as ethnic is a strategically significant category in the organization.

The PC banking division is a lucrative but somewhat independent operation, without the same interconnectivity as the rest of the organization's activities. The banking division offers high margins when compared to grocery, and allows for the cultivation of customer loyalty and reward plans.

Finally, the controlling interest of the Weston family plays a central role in the activities of Loblaw. The Weston family owns and operates both Loblaw and its parent company, George Weston Limited. The experience of the parent company has translated into strategic moves at Loblaw including strong private label controls and the Joe Fresh line of apparel. Although Loblaw's primary activities take place within Canada, the company's family ownership have a global perspective.

2.4 COMPETITION

2.4.1 Strategic Groups

Loblaw's strategic competitors can roughly be grouped into 3 categories. The grouping matrix identifies competitors by market share and product offering overlap.

Table 2 Strategic Groupings

	High Product Overlap	Low Product Overlap
Low Market Share	Whole Foods Nestors Choices Safeway	Online Retailers
High Market Share	Wal-Mart Sobeys Metro Loblaw	Shoppers Drug Mart Target 7 Eleven Alimentation Couche-Tard Inc.

2.4.2 Direct Competitors

Direct competitors are Sobeys, Wal-Mart, Metro, and Loblaw. All four try to compete directly on a low-cost platform, while each incorporates focused differentiation strategies, such as private label offerings and pre-cooked meals. All four have also introduced some variation of a mixed strategy, through specific banner offerings with both a 'traditional' supermarket format and a discount format. Wal-Mart is the one exception to date, though they have recently announced plans for an urban, convenience banner format. [11]

2.4.3 Indirect Competitors

Indirect competitors are Canada Safeway, Costco, and Shoppers. This is primarily due to significant market penetration, but a divergent - though not incompatible - value proposition. None of them, with the exception of Costco, operates on a low cost platform. Canada Safeway does not compete on cost, nor does it differentiate in any meaningful way. Its strengths lie mainly in location. Costco offers a low SKU count on core products,

[11] Canadian Grocer. (2011) *Walmart prepares for a future with smaller stores.* Retrieved March 12, 2011 from: http://www.canadiangrocer.com/top-stories/walmart-prepares-for-a-future-with-smaller-stores-4981

sold in bulk, at low prices. Shoppers is the most serious ‘convenience’ threat. It has begun offering a limited amount of grocery food items in its stores to drive customer traffic. Though not a significant player currently, Shopper’s market penetration and significant convenience presence make it a threat.

As well, strictly convenience style formats like 7-Eleven and Alimentation Couche-Tard Inc has a highly limited SKU base, but a powerful convenience channel. If either company made an aggressive move beyond offering impulse goods, they could pose a threat to conventional grocery retailers.

2.4.4 Potential Competitors

Although statistically representing a small portion of both market share and sales, smaller urban supermarkets should be noted. Urban shopping food stores such as Wholefoods, Nesters, Choices, and Urban Fare all represent key market segments and a focus on the growing urban demographic. Whole Foods pointedly does not compete on cost, choosing to focus on value added to its products. Sales are lower for Whole Foods, but margins are higher.

A more serious, but less immediate threat is the potential entry of either Tesco or Carrefour into the Canadian market. Both are international grocery retail players. Tesco in particular is a potential entrant threat, as they have recently entered the American market. Likewise, Target’s recent acquisition of Zellers positions them as a likely future competitor.

2.4.5 Channel Competitors

Another approach to conceptualizing competitors is to consider the market channel through which they compete. This gives the grocery industry landscape a slightly different perspective when viewing competitors.

2.4.5.1 Hypermarket Competitors

Loblaw competes primarily with Wal-Mart on the hypermarket platform. Wal-Mart opened its first Supercenter in Canada in 2006, and had expanded to 61 by the end of 2009, with aggressive expansion plans in 2010. Loblaw, however, still holds 76.9% of the market share in the grocery hypermarket channel. [12]

2.4.5.2 Supermarket Competitors

In the supermarket channel, Loblaw competes primarily with Sobeys and Metro. In this category, Loblaw is third overall with 20.3% market share, behind Sobeys and Metro. Sobeys and Metro are situated heavily in the Central and Eastern provinces of Canada. Sobeys has a strong hold in Atlantic Canada, while Metro's stronghold is in Ontario and Quebec – Canada's two largest markets. However, the hypermarket segment has rapidly become the most lucrative channel, and is widely viewed as the key to increased sales and margins through providing complementary non-food goods at store level.

[12] Competitive Landscape – Canada – Q1 2011. (2011). Retrieved February 1, 2011 from: http ://www.businessmonitor.com.proxy.lib.sfu.ca/cgibin/request.pl?view=articleviewer &article=427358&service=5&SessionID=717644477819219&iso=CA&metaid=383

2.4.5.3 Discount Competitors

Loblaw holds leading market share in the discount channel with 59.4%. [13] Sobeys, with its FreschCo banner, and Metro with its Super C banner, have low cost banners to compete with Loblaw and its No Frills and Maxi banners. Wal-Mart has positioned itself as a discounter, but situated exclusively in either the hypermarket, or the non-food retail businesses.

2.4.5.4 Wholesale Club Competitors

Costco is the market leader in the grocery retail wholesale market. This could be considered Loblaw's weakest value proposition. The Wholesale club banner has not played a significant role in current strategy. Instead, Wholesale club stores have been reduced. Wal-Mart has an offering in this channel with the Sam's Club banner. Few retailers, however, compete in this channel.

2.4.5.5 Convenience Competitors

Convenience competitors are those that offer low SKU numbers. SKU offerings tend towards core grocery items (bread, milk, eggs) or towards impulse buys such as candy bars. Major players like Alimentation Couche-Tard, 7-Eleven, and Shoppers are threats because of prime locations and the ability to reach a wide customer base. Consumer trends towards greater convenience for a busy lifestyle make convenience a competitive advantage. This advantage is also in stark contrast to the emergence of the

[13] Competitive Landscape – Canada – Q1 2011. (2011). Retrieved February 1, 2011 from: http ://www.businessmonitor.com.proxy.lib.sfu.ca/cgibin/request.pl?view=articleviewer &article=427358&service=5&SessionID=717644477819219&iso=CA&metaid=383

hypermarket format, that tends to situate outside city limits, have massive parking lots, and long checkout waits.

2.4.5.6 Online Competitors

The online grocery retail industry in Canada does not make up a significant portion of market share. Despite this, the emergence of e-commerce, and now m-commerce, indicates that buying groceries online will gain customer acceptance at some point in time. Currently, online grocery retailers are predominantly localized, and most specialize in a specific category – local organic produce being the most popular offering.

In the United States, there is a far more developed online retail market in general, as well as a more significant retail food presence. Major online player Amazon has an online grocery offering. As well, Wal-Mart offers online ordering, though currently only for non-food goods.

2.4.6 Generic Strategies

Within the grocery industry, there are examples of all three generic strategies at work.

2.4.6.1 Cost Leadership Positioning

This is the traditional position of Loblaw in Canada. With double the market share of its next largest competitor, Loblaw is able to attain economies of scale in its distribution network and bulk discounted buying from its suppliers. Wal-Mart is the new Canadian entrant adopting this strategy. Despite a minimal market share in Canada, Wal-Mart has significant buying power around the world and is able to compete on price with Loblaw. Metro and Sobeys, under select banners, also compete on cost.

2.4.6.2 Differentiation Positioning

Uniqueness is seen mainly in Whole Foods Market, which is able to extract higher margins on goods by creating a unique customer experience through sales staff, store format, and product offerings that include both local fair and small brands from North America not usually available at the other major chains. This differentiation positioning has been maintained and strengthened across North America.

Location is also often a differentiator, with certain competitors such as Save-On foods and Safeway in British Columbia creating monopolistic competitive conditions. Locational differentiation is particularly pronounced in gentrified, urban neighbourhoods where commercial development is minimal and available retail space constrained, thereby effectively acting as a barrier to new entry. Grocery retailers that are able to take advantage of this position tend to also concentrate on a focus leadership position and operate in part as a convenience channel. Retailers focus on creating value through product offerings and customer service rather than strategically pricing against other local competitors.

2.4.6.3 Mixed Positioning

Loblaw has achieved a mixed position through strategic banner positioning. It offers clear value propositions on both the lost cost leadership and the differentiation levels. This is primarily achieved through Loblaw’s controlled label PC offering. No other retailer has yet to match the mix of low prices and products that Loblaw offers. It is this unique mix that has allowed them to maintain market share leadership in Canada.

2.4.6.4 Focus Leadership Positioning

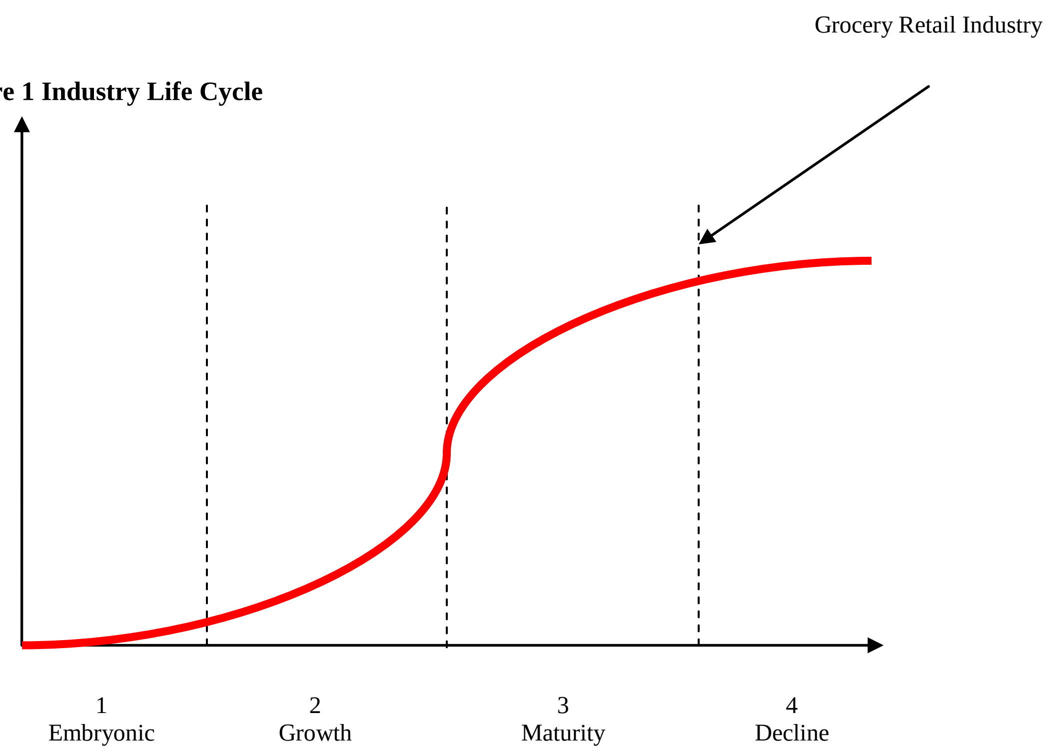
Specific market segmentation is generally a strategy adopted by smaller, urban grocery chains. Choices caters to a specific demographic of organic food lovers, while such chains as Urban Fare focus on a higher end, urban demographic. Focus leadership in grocery retail does allow for agile responses to a key demographic, but is more exclusionary than inclusionary. It is also unclear how both consumers and localized firms would respond if major players entered the urban market with comparable product and customer service offerings, but at a lower price as a result of leveraging scale.

2.5 MARKET ANALYSIS

2.5.1 Product Life Cycle

The Grocery Industry product life cycle is currently at a late maturity stage. Industry growth is slow - spurred primarily by macroeconomic factors such as shifting population demographics and the state of the economy.

Figure 1 Industry Life Cycle



2.5.2 Market Structure Matrix

The behaviours of the "Big 4" in the Canadian grocery retail industry can be better understood by analyzing the market structure in which they are operating.

Table 3 Market Structure Matrix

	Perfect Competition	Competitive Selection	Monopolistic Competition	Oligopoly	Monopoly
Number and size of distribution of sellers	Many firms of equal size NO	Many firms of unequal size NO	Many firms of equal size NO	Few firms of equal size **YES**	One firm NO
Product	Identical NO	Identical NO	Differentiated **YES**	Either **YES**	-
Entry/Exit	Easy NO	Relatively Easy NO	Easy NO	Difficult **YES**	Very Difficult NO
Type of Rivalry	Costs NO	Costs NO	Location, Quality NO	Price, Capacity, Quality, Location **YES**	None NO
Industry Profits	Low for all firms NO	Average low, but different YES	Low for all firms NO	Low-High, but different across firms **YES**	Very High NO

Based on the analysis of the market structure, the grocery industry in Canada, specifically for the Big 4 strategic group, is decisively oligopolistic. The top companies in the industry do have a level of interdependence on each other, and react strategically to each other's actions. Changes are often capital intensive and can take years to execute. Significant sunk costs in aborted activities are a regular occurrence.

This does not, however, address indirect and potential competitors. Currently, there is no significant focus on these two groups by the fulcrum firm. However, in the future, there is a very real chance that Shoppers will move decisively into the grocery business.

Any comprehensive strategy will need to account for these levels of sensitivity between strategic groups.

2.5.3 Five Forces

(For Mass Grocery Retail Five Forces Diagram, see Appendices C)

2.5.3.1 Suppliers

Most grocery goods have been commoditized and are available at or slightly above cost. There is some variability in pricing, caused by global activities that influence commodity markets of foodstuffs. For example, the sharp increase in corn; poor wheat yields in Russia; and early frost issues in California that can drive up the cost of citrus fruit. Typically, products from suppliers are undifferentiated and purchased in bulk. There is an abundant supply of suppliers and little current risk of systematic hold up. There have, however, been food shortages in developing parts of the world.

Supplier consolidation has also occurred. Global players like Procter and Gamble and Unilever leverage their “super brands” globally. Competition among suppliers has grown fiercer as advertising channels have fragmented. The emergence of large global retailers like Wal-Mart, Tesco, and Carrefour has negatively influenced profit margins as these three retailers wield enormous bargaining power. Further impacting profit margins are rising commodity costs. As well, grocery retailers ability to charge “promotional” fees for premium shelf space and displays, as well as the increase in private label offerings designed to compete with name brand products, has made it difficult for suppliers to maintain profit margins. Finally, brand growth and the increased difficulty in developing a successful new brand, has growth implications for suppliers. Historically, once brands mature, the pace of brand growth slows to the natural rate of population growth. [14]

2.5.3.2 New Entrants

Barriers to entry remain high. Substantial upfront capital costs can now be partially offset by the emergence of third party providers of supply chain activities. The advantage for new entrants is that customers tend to favour geographically convenient locations or brand identity. Perhaps the most significant risk of new entrants is large grocery retail chains from Europe. Most recently, Tesco, which operates in over 18 countries, began opening grocery stores in America. There are also several large European players that could consider Canada a target for future expansion, or even an entry point into the larger, American market. On the other hand, the American market could be viewed as a more attractive target for international entry. The larger population and economy could serve as a 'buffer' between the international and Canadian market.

2.5.3.3 Industry Competitors

Industry competitors are made up of domestic, international, and global competitors. Domestically, Loblaw, Metro, and Sobeys are the key players. They do not

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[14] The Economist. (2005). *The Rise of the Superbrands.* Retrieved April 16, 2011 from: http://web.ebscohost.com.proxy.lib.sfu.ca/bsi/detail?vid=5&hid=105&sid=4d0fc591-1267-4040-bf5f-8393f416c2f0%40sessionmgr110&bdata=JnNpdGU9YnNpL WxpdmU%3d#db=bth&AN= 15962152

operate retail locations outside of Canada (though they source globally). Safeway Canada operates throughout North America, primarily on the West Coast. Wal-Mart is the main international player, with significant resources at their disposal.

2.5.3.4 Substitutes

The grocery customer is notorious for being difficult to lure away from a grocery store, once they begin habitually shopping there. Possible substitutes for large grocery chains are mainly in the form of smaller, local grocery chains. Few stand-alone grocery stores exist, though individual meat markets, produce markets, etc, can collectively act as a substitute. Additionally substitutes can be seen in traditional general merchandise retailers (The Bay and Best Buy) and pharmacy stores (London Drugs and Shoppers Drug mart) that have started selling select food products in their traditionally non-food stores. Fast food and restaurants are also substitutes.

2.5.3.5 Buyers

Buyers have a great deal of power, but are not always easily swayed to move. Willingness to pay varies widely. Knowledge is very high on ad items, but relatively low on non-add items. For example, it is difficult to determine if a 500-gram brick of mozzarella cheese is cheaper at one store, or another, without going to each and price comparing. There are no switching costs for the buyers. Buyer store preference is often based around low price and convenience factors. Some buyers will shop from store to store, “skimming” advertised items from multiple retailers, as well as purchasing specific, preferred categories from different retailers habitually.

2.5.3.6 Government

Government has an important, though indirect, influence over the mass grocery retail market. Most government influence comes in the form of barriers to acquisition and barriers to market entry. With such large market share among the major firms, there are significant constraints in growing by acquisition, most significantly by Loblaw, which has been forced in the past to divest after an acquisition. As well, Quebec, the francophone community, and protectionist language laws, act as a barrier to entry by potential large international players such as Carrefour and Tesco.

2.6 KEY CHANNEL AND CATEGORY CUSTOMER MATRICES

The mass grocery retail industry sells hundreds of thousands of products, to virtually every individual, either directly or indirectly, in Canada. A complete customer matrix on all current and potential products is beyond the scope of this paper. Instead, key categories in the industry and consumer trends are broadly defined in order to establish probable areas of growth and consumer influencers.

Specifically:

1. Top Categories in the Industry by Sales Volume
2. Who is Shopping and When
3. Control Label Performance
4. Organics
5. Ethnic Consumers and Ethnic Foods
6. Consumer Channel Preferences

2.6.1 Top 10 Grocery Categories

Table 4 Top Categories by Dollar Sales Volume [15]

Category	Dollar Sales
Milk	2,283,105,365
Natural Cheese	1,668,086,199
Bread – Commercial	1,449,395,619
Dinners and Entrees – Frozen	1.376.092.523
Flavoured Soft Drinks	1,225,131,869
Snack Foods	1,210,129,420
Yogurt Products – Refrigerated	1,125,367,058
RTE Cereals	1,041,021,965
Juices and Drinks – Shelf Stable	938,768,438
Chocolate	816,050,886

Top category sales volumes are significant in identifying areas of strategic interaction with competitors. Competition in these items is driven largely by discounted offerings and advertised sales to drive traffic into stores. The ability to compete on price and quality in these areas is critical to traffic and provides the opportunity to increase basket size by offering a range of goods along store walkways. An inability to compete on high volume grocery products means there is a risk of consumers going elsewhere for regular grocery shopping purchases.

[15] Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011*. Toronto, ON: Rogers Media Inc. SOURCE: Nielsen MarketTrack, National Grocery Banner +Mass Merchandiser, 52 weeks ending December 19, 2009.

2.6.2 Customers

Table 5 Who is Shopping and When? [16]

Quick Trip			***General Stock-Up Trip***			***Emergency Trip***			***Personal Care Trip***		
56%			25%			12%			7%		
Male Without Partner	Female Without Partner	Joint Trip	Male Without Partner	Female Without Partner	Joint Trip	Male Without Partner	Female Without Partner	Joint Trip	Male Without Partner	Female Without Partner	Joint Trip
26%	23%	7%	7%	11%	7%	4%	6%	1%	2%	4%	1%

Most significantly, "quick trips" represent 56% of all traffic. This emphasizes the growing consumer demand for convenience. For grocers to remain relevant to customers, they will need to either develop strategies to enhance the convenience elements of their product offerings, or reinforce other value propositions (such as low cost) to incentivize shoppers to continue being inconvenienced by their shopping experience.

2.6.3 Control Label

Table 6 Regional Control Label Share[17]

Region	Dollar Category Share	52 Week % Change	Unit Category Share	52 Week % Change
National	18.4	+6	20.7	-3

[16] Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011*.Toronto, ON: Rogers Media Inc. SOURCE: Environics World of the Shopper 2009.

[17] Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011*. Toronto, ON: Rogers Media Inc. SOURCE: Nielsen MarketTrack, National Grocery Banner, 52 weeks ending December 19, 2009.

Maritimes	19.6	+4	21.5	-6
Quebec	14.1	+2	16.2	-5
Ontario	18.7	+6	22	0
Manitoba / Saskatchewan	22.6	+5	26.3	-5
Alberta	19	+7	20.6	-3
British Columbia	22.9	+10	23.6	-4

Control labels have experienced increased margins in the dollar share category, while overall unit share has decreased. Grocery retailers are selling less volume for higher revenue.

Table 7 Key Control Label Category Market Share[18]

	Home Meal Replacement	***Baked Desserts / Breakfast***	***Frozen Foods***	***Dessert***	***Paper Products***	***Fresh***	***Condiments and Sauces***	***Breads and Rolls***	***Baking Needs***	***Refrigerated / Dairy***	***Pet Needs***	***Prepared Foods***	***Cold Beverages***	***Hot Beverages***	***Snack***	***General Merchandise***	***Household Products***	***Confectionary***
CL Dollar Share	40	39	35	35	39	27	27	26	24	22	22	18	16	15	15	14	9	6
CL Dollar Growth	+2	0	+2	-1	-5	+12	+6	+4	+8	+4	+12	+7	-2	+2	+6	-1	-2	+2
Total Category Dollar Growth	-1	+1	+4	+1	+3	+10	+6	+4	+7	+6	+11	+6	+3	+10	+5	+2	+4	+6
CL Unit Share	46	34	30	33	37	28	31	30	22	17	24	22	21	17	16	24	12	2
CL Unit Share Growth	-2	-6	-2	0	-8	0	+1	+4	+3	-1	+2	-2	-6	-7	-1	-3	-10	-4

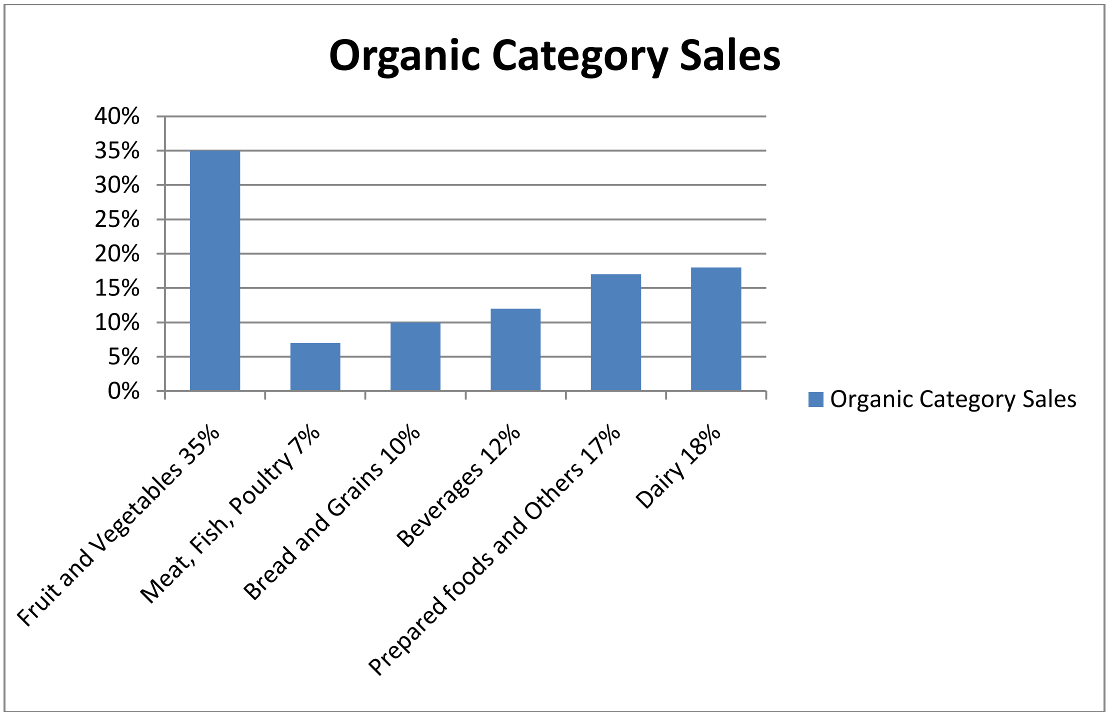
[18] Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011*. Toronto, ON: Rogers Media Inc. SOURCE: Nielsen MarketTrack, National Grocery Banner +Mass Merchandiser, 52 weeks ending December 19, 2009.

(NOTE: all numbers rounded to the nearest 1).

The trend in control label selling less for more continues under key categories. Home meal replacements, viewed as a key growth area in a tough economy, is well positioned under control brand labels, despite a small decrease in unit market share. The trend will continue to be retailers strategically pricing and positioning their products against national brands, seeking out the biggest "bang for their buck." Customers looking for quality and value will turn to control and private label offerings. The major retailers, rather than positioning their control labels as quality at a low price, are instead segmenting their offering. There are now private label offerings for either high quality at a reasonable price as well as reasonable quality at the lowest price. The value proposition of control labels has moved to a mixed strategy position.

2.6.4 Organics

Figure 2 Segmentation of Global Organic Foods Market Share by Value (2007)[19]



Organic fruit and vegetables continue to anchor overall organic food offerings at retail level. Well-displayed organic produce drives strong customer traffic and acts as a signal that organic products are available throughout the store. Organics is connected to the rising consumer health trend. Organic prepared foods also make up a sizeable percentage of organic food sales. Strong consumer demand for prepared foods crosses category in the control label and the organic segments.

[19] Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011.*Toronto, ON: Rogers Media Inc. SOURCE: Global Organic Food, Datamonitor, January 2008.

2.6.5 Ethnic Consumers and Ethnic Products

Table 8 Ethnic Consumer Growth[20]

Group	Current Worth	Annual Growth
Total Non-Ethnic	$200 Billion	$125 Million
Total Ethnic	$50 Billion	$1 Billion

Retailers who wish to capture a high percentage of the projected $1 Billion per year growth will need to increase ethnic offerings, develop additional value added services for these groups, but not alienate the non-ethnic customers who continue to make up the bulk of existing sales.

Table 9 Indian Food Segment Growth by Region[21]

Region	Sales (excluding private label)	Dollar Volume % Change 52 Weeks
National	$44,197,171	+17%
Maritimes	$1,923,628	+24%
Quebec	$5,612,345	+24%
Ontario	$20,239,313	+19%
Manitoba/Saskatchewan	$1,914,514	+19%
Alberta	$5,971,947	+16%
British Columbia	$8,535,394	+7%

The popularity of Indian food is driven by far more than demographic changes and immigration. The food, especially the sauces, has proven to be very popular among non-ethnic shoppers. Increased immigration has brought demand from the ethnic

[20] Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011.*Toronto, ON: Rogers Media Inc. SOURCE: Statistics Canada 2007 Survey of Household Spending and the 2006 Census.

[21] Canadian Grocer. (2010). *Category Captains.* Toronto, ON: Rogers Media Inc. SOURCE: The Nielsen Company, National GB+DR+MM, 52 weeks ending December 19, 2009, total Indian Food.

customers for products they are familiar with, which has increased awareness and interest in non-ethnic shoppers. Although still representing a small category in overall sales dollars, the growth, especially in the most populace regions of Canada (Ontario and Quebec), far outstrips overall grocery growth. Coupled with this increase is growing consumer demand for other ethnic food categories. Retailers are increasingly turning to rising numbers of ethnic communities in other Asian and South-Asian regions, as well as African regions, for what might become the next popular ethnic food segment and opportunity for growth.

2.6.6 Channel Preferences and Trends

Table 10 Components of Sales by Channel[22]

Channel	Penetration	52 Week Change	Basket Size	52 Week % Change	Trips per Household	52 Week % Change	Dollars per Household	52 Week % Change
Warehouse	50.4	-0.9	$122.19	+1%	12.1	+4%	$1,476.59	+5%
Mass Merchandiser	93.3	-0.1	$56.96	+2%	20.8	0	$1,182.59	+2%
Drug	93.9	-1.3	$36.69	+5%	20.8	-2%	$762.70	+3%
Grocery	99.8	-0.1	$46.13	+4%	89.1	-2%	$4,109.18	+2%

Warehouse channel sales are significant because of both low penetration and large basket size. The warehouse club stores drive volume sales, but still have not gained comparable penetration rates of other channels.

22 Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011.*Toronto, ON: Rogers Media Inc. SOURCE: Nielsen Homescan, Total Expenditures, National, 52 weeks ending January 2, 2010.

The Drug channel as well as the Mass Merchandise channel represents a potential threat to grocery retailers primarily because of their penetration rates. The ability of current non-food retailers to provide targeted food offerings to drive customer traffic is a constant threat to food retailers. American drug and mass merchandisers, such as Walgreens and Target, have already introduced food into their stores. Canadian non-food retailers may similarly look to leverage their penetration rates.

The strength of food is the ability to drive traffic. The average trips per household are four times more frequent in grocery than other channels.

Table 11 Growing Market Share for Discount Channel[23]

Category	Discount Dollar Share	52 Week % Change	
		Discount	Conventional
Non Grocery	60.4	+6	+1
Meat and Seafood	39.6	+17	+7
Grocery	39.1	+10	+2
HABA	36.3	+6	+5
Bakery	35.8	+8	+1
Produce	30.5	+23	+5
Deli	28.4	+5	-4

Finally, the discount channel has gained increased popularity, both with shoppers and with retailers. Shoppers have increasingly demanded lower prices on goods, at the same time as staple food prices have increased. The response has been a discount banner offering from the major mass grocery retailers. Consumers have responded positively, driving up percentage of sales in the major grocery categories, as well as non-food

[23] Canadian Grocer. (2010). *Executive Report: Canadian Grocery Industry 2010-2011.*Toronto, ON: Rogers Media Inc. SOURCE: Nielsen MarketTrack, National GB+DR+MM, 52 weeks ending December 19, 2009 – UPC items only.

offerings. This trend has also allowed retailers to preserve margins at their conventional banners.

2.7 CURRENT STRATEGY OF FULCRUM FIRM

Loblaw’s current strategy revolves around three concepts: Great Food. Hard Discount. Superstore. The Superstore banner is considered the key growth category, as it competes in the growing hypermarket channel, which operates on a low cost platform with non-food offerings representing higher profit margins. Furthermore, the strategy utilizes strong private label brand control (President’s Choice and No Name), along with a multi-banner strategy, to position the company in the mixed category. Its value proposition is the ability to provide deep discounts in the form of No Frills and Maxi’s, a mixed platform through Superstores, and a higher end, differentiation position in the form of Loblaw, Zehrs and Provigo banners while maintaining cost competitiveness even in the differentiation banner channel. This position revolves primarily around capturing customer ‘relevance’ without diluting the message it sends to its customers. Recent corporate restructuring has retail split between “Hard Discount” and “Traditional”. This dual focus furthers the mixed strategy position Loblaw continues to maintain.

2.8 FINANCIAL PERFORMANCE

2.8.1 The Big 4

A comparative analysis of the Big 4 needs to look at Profitability, Efficiency, and Financial Risk. A key retail metric is Same-store Sales, or Comparable Sales, which provides a financial efficiency snapshot of how well retailers are leveraging existing assets versus growing sales by opening new stores and thereby driving capital-intensive growth.

Table 12 Big 4 Financial Comparison

Measurement	Big 4 Company			
	Loblaw[24]	Wal-Mart[25]	Sobeys [26]	Metro[27]
Market Capitalization	**11,241.6 M**	195,731.9 M	3,797.5 M	4,604.4 M
Revenue 2010	**$30,997 M**	$405,046 M	$15,520 M	$11,342.9 M
Comp. Sales 2008	**+4.2%**	+1.6%	+2.8%	+0.4%
Comp. Sales 2009	**-1.1%**	+ 3.5%	+5.2%	+4.4%
Beta	**0.42**	0.32	0.48	0.18
Earnings Per Share	**2.38**	3.70	2.90	3.65
Dividends per Share	**0.84**	1.09	0.55	0.65
PE Ratio	**16.2**	13.7	21.1	11.8
Gross Profit Margin	**24.3%**	27%	4.3%	6.6%
EBITDA Margin	**6.1%**	7.7%	4.3%	6.6%
Return on Assets	**4.5%**	8.4%	4.6%	8.1%
Return on Equity	**10.3%**	23.8%	9.3%	16%
Current Ratio	**1.3**	0.9	1.0	1.1
Quick Ratio	**0.6**	0.2	0.5	0.5
Leverage Ratio	**2.3**	2.9	2.0	2.0
Free Cash Flow Ps	**2.38**	2.60	1.87	1.24
Debt/Equity Ratio	**0.68**	0.87	0.33	0.41
Debt Ratio	**58.2**	58.6	50.9	49.3
PQ Ratio	**5.18**	10.77	11.43	12.14
Tobin's Q Ratio	**0.75**	1.14	1.02	0.93
Revenue per Employee	**221,115**	194,388	371,086	174,506
Assets Turnover	**2.0%**	2.3%	3.4%	2.4%
Day's Inventory Turnover Ratio	**33**	41	18	23

**** Note: Comp. Sales pulled from Annual Company Reports.*

[24] Loblaw Company Information (2011). Retrieved February 15, 2011 from: http://ca.advfn.com/ p.php?pid=cafinancials&symbol=TSE%3AL

[25] Wal-Mart Company Information (2011). Retrieved February 15, 2011 from: http://ca.advfn.com/ p.php?pid=financials&symbol=NYSE%3AWMT

[26] Sobeys Company Information (2011). Retrieved February 15, 2011 from: http://ca.advfn.com/ p.php?pid=financials&symbol=TSE%3ASBY

[27] Metro Company Information (2011). Retrieved February 15, 2011 from: http://ca.advfn.com/ p.php?pid=financials&symbol=TSE:MRU.A

2.8.1.1 Profitability

Overall profitability is indicative of the ability of a firm to generate profits over the short and long term. Although this is not a precise methodology of predicting future profitability, it does provide some indication as to the firm's ability to capture customer relevancy and control operating costs.

2.8.1.1.1 ROE

For the Big 4, Wal-Mart has a clear profitability advantage, with a 23.8% ROE. This number is particularly good when considering Wal-Mart's significant, capital intense, and aggressive organic growth in its international division. Metro as well has high ROE at 16%, however it has not undergone the same capital investments over the recent past as has the other three major competitors.

Loblaw and Sobeys are in similar positions: ROE is below optimal targets, but both have aggressively invested in their supply chain and store renovations over the last 2 years. Both are at the tail end of a transformative effort in which billions of dollars were invested. There is a high likelihood that ROE will rise as the investments begin to pay off.

2.8.1.1.2 ROA

ROA in the mass grocery retail industry would typically be lower than the majority of other industries due to the capital-intensive nature of the industry. Within the Big 4, Wal-Mart is the most efficient in terms of using its assets to generate profit. Metro also realizes a strong ROA ratio. Loblaw and Sobeys have a comparable ROA. Both companies own significant assets whose carrying value is well below market value. This is due to a long-term market presence. In the case of Sobeys, some assets could be over

100 years old. On the other hand, they have both invested heavily in capital intense assets, mainly in supply chain and distribution. The largest difference between the Big 4, and the main difference between the ROA of Wal-Mart and Metro, versus Sobeys and Loblaw, is that the former's investment has largely been in front end retail, while the latter has invested heavily in supply chain infrastructure.

ROA in this instance may be more an indication of where investments in assets are being made more than how profitable those particular assets are.

2.8.1.2 Efficiency

Firm productivity and efficiency in generating sales can also be an important indicator of past success and future firm potential.

2.8.1.2.1 Asset Turnover

Where the ROA of the Big 4 was more dependent on variability in assets, asset turnover provides a slightly clearer picture on firm efficiency and asset utilization in generating total sales. In this instance, all four firms are relatively equal. As expected, traditionally low profit margins in the grocery retail industry result in high asset turnover ratios for all four firms.

Loblaw is again at the low end, with a 2% ratio. This indicates that it has managed to leverage gross sales from its assets more efficiently than the other firms do. At the high end, Sobeys has a 3.4% ratio, indicating that for its total assets, sales were relationally low. This could, again, be a result of significant capital investment. However, Loblaw has experienced similar capital investment, and Wal-Mart has grown aggressively by opening new stores. Exact causation for such an inordinately high ratio is unclear.

2.8.1.2.2 Revenue per Employee

In the case of the Big 4, Sobeys appears to be anomalous. Sobeys' RPE is $371,000, $150,000 higher than the next closest firm, Loblaw. This could be an indication of Sobeys' strategy of mechanizing and automatizing its distribution centres. If so, the number could be considered misleading, because Sobeys has simply replaced human employees with robotics and other forms of mechanization that have a significant cost associated with daily operations and maintenance. These costs would be comparable, if not higher, than regular wages and benefits of human employees. Regardless, this does highlight the potential strategic advantages that Sobeys could gain through this strategy. This should protect Sobeys from labour shortages, as well as significant wage increases and union issues that have plagued some of the other major retailers.

Beyond Sobeys, the other three firms are relatively comparable, with Loblaw demonstrating a slight efficiency edge.

2.8.1.3 Financial Risk

Financial risk can be an indicator of financial stability for both the fulcrum firm as well as key competitors. With available capital likely to tighten in the future due to decreased savings, more spending, and rising capital needs in emerging markets, the cost of debt will grow.[28] Where current rates are low, a healthy, low debt holding by a firm will become an increasing competitive advantage.

[28] Dobbs, Richard., Spence, Michael. (2011). *The era of cheap capital draws to a close.* McKinsey Quarterly, February. Retrieved March 10, 2011 from: https://www.mckinsey quarterly.com/The_era_of_cheap_capital_draws_to_a_close_2741

2.8.1.3.1 Debt to Equity Ratio

The debt to equity ratio reveals a larger gap in the amount of leverage being used to finance assets. Wal-Mart is the most heavily leveraged, but this is more an illustration of its global positioning and leverage strategy, than a sign of potential financial instability. Loblaw is a distant second, but the firm's parent company, George Weston Limited, has well over $5 billion in cash reserves. Sobeys is the least financially leveraged in relation to debt and equity. This does not ensure financial stability, however it should be noted that Sobeys' parent company, Empire, also boasts a 0.38 debt to equity ratio.[29]

2.8.1.4 Liquidity

The current ratios for all four firms are relatively equal, with Loblaw representing the higher end with assets greater than liabilities. Both Sobeys and Metro are virtually even, and Wal-Mart being the only player whose liabilities are greater than their assets.

Under the quick ratio, the picture does not fundamentally change, despite the removal of inventory holdings from the equation. Wal-Mart continues to be the least liquid, and Loblaw continues to be the most liquid.

2.8.1.5 Intangible Assets

The intangible assets, not able to be recorded by accounting reports, likewise reveals the market's assumptions around intangible assets present in both Wal-Mart and Sobeys. Metro is slightly undervalued, while Loblaw's market value is a full 25% below its replacement value. This could indicate market scepticism of future growth prospects

[29] Empire Company Information. (2011). Retrieved March 12, 2011 from: http://ca.advfn.com/p. php?pid=financials&symbol=TSE:EMP.A

for Loblaw. This could also represent a measure of perceived market confidence in asset efficiency of the firms: Loblaw and Metro could be viewed as underperforming in relation to their assets, while Sobeys and Wal-Mart over perform.

2.8.1.6 Same-Store Performance

Same-store sales provide a dramatic picture of the ability of the major retailers to respond to an economic crisis. In 2008, shoppers instinctively turned to Loblaw, a traditional discount retailer, in order to save money. But 2009 saw a movement of consumers back to their traditional retail grocery stores, as Sobeys and Metro responded to consumer demands for lower prices, and repositioned their low cost banners. Loblaw's negative same-store growth in 2009 is more indicative of their inability to retain new customers looking for recession pricing than of an inability to leverage existing resources.

2.8.2 Indirect Competitors

Table 13 Indirect Competitor Financial Comparison

Measurement	Indirect Competitors			
	Safeway[30]	Costco[31]	Shoppers[32]	Alimentation Couche-Tard[33]
Market Capitalization	8,119.6 M	32,590.9 M	8,613 M	4,646.8
Beta	0.70	0.73	0.51	0.19
Earnings per Share	-2.66	2.92	2.69	1.62
Dividends per Share	0.38	0.77	0.86	0.15
PE Ratio	0	24.6	14.6	13.3
Gross Profit Margin	31.3%	13.8%	11.4%	15.3%
EBITDA Margin	5.7%	3.7%	11.4%	4.0%
Return on Assets	-8.4%	5.2%	8.5%	9.0%
Return on Equity	0	12%	14.4%	19%
Current Ratio	1.1	1.2	1.9	1.3
Quick Ratio	0.2	0.6	0.3	0.6
Leverage Ratio	3.0	2.3	1.7	2.1
Free Cash Flow Ps	3.98	3.20	0.16	1.47
Debt/Equity Ratio	0.97	0.19	0.33	0.35
Debt Ratio	66.9	54.5	44.2	56.3
PQ Ratio	8.54	4.75	83.9	6.88
Tobin's Q Ratio	0.54	1.37	1.26	0.88
Revenue per Employee	219,627	950,561	9,077,818	314,168
Assets Turnover	2.7%	3.2%	1.5%	4.5%
Day's Inventory Turnover Ratio	33	30	73	12

2.8.2.1 Indirect Competitor Financial Analysis

[30] Safeway Company Information (2011). Retrieved February 15, 2011 from: http://ca.advfn.com/ p.php?pid=financials&symbol=NYSE%3ASWY

[31] Costco Company Information (2011). Retrieved February 15, 2011 from: http://ca.advfn.com/p. php?pid=financials&symbol=NASDAQ:COST

[32] Shoppers Drug Mart Company Information. (2011). Retrieved March 12, 2011 from: http://ca.advfn.com/p.php?pid=financials&symbol=TSE%3ASC

[33] Alimentation Couche-Tard Company Information. (2011). Retrieved March 12, 2011 from: http://ca.advfn.com/p.php?pid=financials&symbol=TSE%3AATD.B

There is little benefit in comparing indirect competitors' financial performance to each other as competitive positions, current target markets, and SKU bases vary. However, a general review of financial performance is helpful in further gaining insight into the financial health of the peripheral mass grocery retail industry.

2.8.2.2 Profitability

The most glaring data in the profitability sector is Safeway and its negative ROA. As well, their zero return on equity positions them firmly as the least efficient indirect competitor. This is a reoccurring theme with Safeway Canada: despite significant market share, they are consistently unable to keep pace with other competitors in Canada, and hence are experiencing eroding market share. This does not however extend to their margins, where they enjoy the highest gross by far. It appears that they are simply charging far higher prices, and with a significant market share, they continue to make high margins.

Alimentation Couche-Tard is at the high end of profitability. Gross profit margins reflect the higher margin offerings at convenience banners.

2.8.2.3 Efficiency

The picture, however, reverses when viewed from an efficiency standpoint. Alimentation has the highest asset turnover, indicating low margin dollars per asset dollars. Shoppers is the most efficient from an asset turnover perspective.

2.8.2.4 Financial Risk

For leveraging equity to drive growth, Safeway has the highest debt to equity exposure. This is of particular concern because Safeway has not grown significantly, and have negative earnings per share. Therefore, they have drawn on debt, but have not produced tangible results.

2.8.2.5 Liquidity

Using the current ratio, Shoppers is the most liquid firm. Removing inventory-holding assets, the financial picture changes slightly, with Costco and Alimentation having an equally high quick ratio. This is indicative of the cost of Shoppers inventory holdings.

2.8.2.6 Intangible Assets

Tobin’s Q is useful in evaluating the intangible value of indirect competitors. Again, Safeway is the anomaly, with a market price of almost half its replacement value. Clearly, the market does not have confidence in Safeway’s ability to efficiently utilize its assets. Market prospects for Costco and Shoppers are high, while Alimentation is priced slightly below replacement value, indicating market scepticism.

2.8.3 Potential Competitors

Table 14 Potential Competitors Financial Comparison

Measurement	Potential Competitors		
	Whole Foods[34]	Tesco[35]	Target[36]
Market Capitalization	10,223.3 M	31,522.04 M	36,488.4 M
Beta	1.09	0.78	0.95
Earnings per Share	1.43	29.33	4.00
Dividends per Share	0	13.05	0.84
PE Ratio	36.6	13.36	12.9
Gross Profit Margin/Operating Margin	37.8%	5.58%	30.8%
EBITDA Margin	8.1%	-	10.7%
Return on Assets	6.8%	5.05%	6.3%
Return on Equity	11.1%	15.94%	19%
Current Ratio	1.6	0.73	1.7
Quick Ratio	0.8	0.56	0.8
Leverage Ratio	1.6	-	3.0
Free Cash Flow Ps	2.29	-	4.59
Debt/Equity Ratio	0.16	1.04	1.11
Debt Ratio	40.5	51.08	64.6
PQ Ratio	26.72	5.62	40.08
Tobin’s Q Ratio	2.56	0.68	0.83
Revenue per Employee	198.803	-	-
Assets Turnover	2.3%	1.24	1.5%
Day’s Inventory Turnover Ratio	20	21.09	-

2.8.3.1 Financial Highlights

Potential competitors have several noteworthy financial indicators. First, both Whole Foods and Target have higher than industry average gross margins. This is in large part because they do not specifically compete in mass grocery retail. Perhaps the

[34] Whole Foods Company Information (2011). Retrieved March 12, 2011 from: http://ca.advfn. com/p.php?pid=financials&symbol=NASDAQ%3AWFMI

[35] Tesco Company Information. (2011). Retrieved March 12, 2011 from: http://ca.advfn.com/p. php?pid=financials&symbol=LSE%3ATSCO

[36] Target Company Information. (2011). Retrieved March 12, 2011 from: http://ca.advfn.com/p. php?pid=financials&symbol=NYSE%3ATGT

greatest threat to the Big 4 is whether some of these potential competitors can translate their gross profit margins into the mass grocery retail industry.

Debt to equity is low for Whole Foods, which indicates that they have room to leverage and take on additional debt burden should they choose. This is useful in considering the possibility of Whole Foods making the strategic decision to grow aggressively.

Intangible assets are also a useful measurement here, with Tesco viewed by the market as negatively as Safeway. For an international player, this could be a sign that the market expects them to grow more rapidly, forcing them to search for new markets.

2.8.4 Financial Summary

Comparing financials between grocery retailers provides an interesting, though at times skewed, picture of the financial competitive fitness of the organizations. Many of the retailers, though direct competitors, adopt slightly varied operating strategies.

Hypermarket competitors will generally produce higher profit margins and higher days on hand inventory than that of the pure play food grocery retailers who can still compete successfully on "great food" value propositions that drive consumer traffic and generate acceptable margins.

2.9 CURRENT SITUATION ANALYSIS SUMMARY

The mass grocery retail industry in Canada is a highly competitive operating environment. The dominance of the Big 4 is far from a mutually beneficial relationship, especially with Wal-Mart's market entrance over the last 10 years.

Adding complexity to the situation is the significant emerging players in the industry, as well as large players, both American and International, that have not yet entered the Canadian market. Likewise, the emergence of the hypermarket channel has left some players struggling to keep up. Despite the heavy capital requirements necessary for hypermarket expansion, and the growing popularity of the hypermarket banners, there is no guarantee that they will be profitable in the long term. Adding to this uncertainty is the growing consumer preference for convenience channels, seemingly at odds with the hypermarket channel.

The market cycle is mature, and growth is minimal, meaning any strong growth has to come at the expense of competitor market share. Urban-centric, regional banners continue to expand, making future growth opportunities for large players within urban markets uncertain.

Loblaw continues to be well positioned, with a wide market share margin between it and its nearest competitor. A mixed strategy made possible by leveraging scale for low cost, and strong control label brands to differentiate, continue to be the key to competitive advantage. Questions remain around future growth prospects. Beyond the difficulty in the current operating environment to gain market share through organic growth, leading market share carries with it growth constraints in the form of antitrust government regulations.

The strategic analysis now turns towards a less-than-traditional methodology in an attempt to address the major strategic quandaries of the fulcrum firm and gain new insight into one of the most hypercompetitive, oligopolistic industries in Canada. The purpose of this narratological approach is to re-envision the industry and Loblaw's key competitors, their current strategic paths, and the impacts of future decisions on both the fulcrum firm and the other major competitors. If all the major competitors are using the same data and the same strategic tools, then strategic decision making and the conclusions that are arrived at can be largely generic in nature. Breaking free of this generic strategy generation could be a key tool in anticipating industry trends, early customer positioning for continued consumer relevance, and capturing uncontested value propositions in a low margin industry.

3: NARRATIVE STRUCTURE

3.1 INTRODUCTION

Narrative structure has rarely been considered in strategic planning and scenario building. But the role that it plays, often intuitively, is critical to the creation of frameworks on which the strategy, or the steps of the scenario, can be developed and built. The conscious consideration of the structure brings to the forefront presumptions and preferences of the firm, the organizational mythology, and the 'storyteller'.

Narrative structure, broadly defined, falls into two categories: linear and non-linear. Each, as a conceptual framework to assist in illuminating strategic interaction among competitors, has potential strengths and weaknesses.

3.2 CLASSICAL STRUCTURE

Classical narrative structure dates back to ancient Greece, when Aristotle wrote *Poetics* and stated, "A whole is what has a beginning and middle and end." [37] Modern theatre, film, and the novel still consistently follow this model. For almost anyone in the world, the concept of story revolves around these basic tenants.

Classical structure is about a defined beginning, rising action, climax, and finally denouement:

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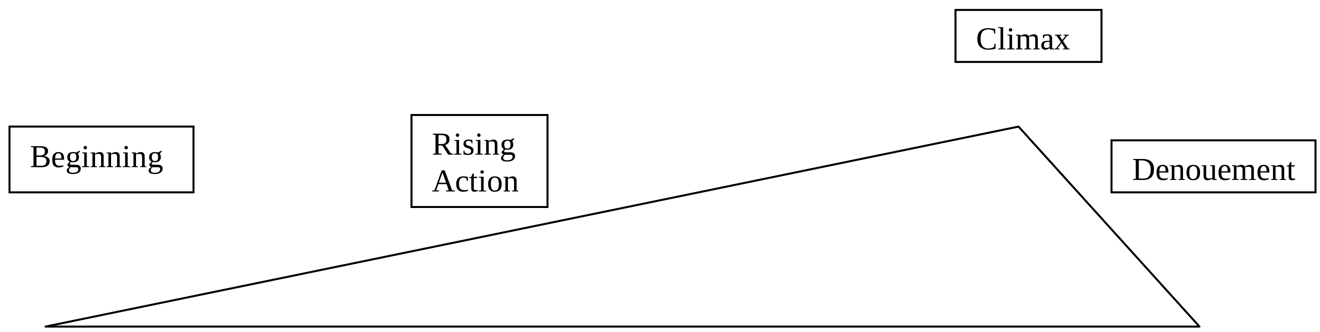
[37] Dramatic structure. (2011). Retrieved February 15, 2011 from:http://en.wikipedia.org/wiki /Dramatic_structure

Figure 3 Classical Story Structure



Though simplified, most stories follow this simple model, with minor variability. Likewise, the way the world is perceived tends to follow this basic structure. Boy meets girl, boy and girl get more serious, boy and girl split up and both are shattered; boy and girl ultimately reconcile and live happily ever after.

Strategic business decisions are viewed in a similar fashion. There is a perceived beginning, an 'inciting incident' that spurs action. There is rising action, in the form of fierce competition; there is a pivotal moment where events could be decided. Finally a conclusion in which there is a 'winner'.

According to Tzvetan Todorov, a linear narrative is made up of five stages:

1. State of equilibrium at the beginning
2. Disruption of equilibrium by an action
3. Recognition/realization that a disruption has occurred
4. Attempt to fix disruption/restore equilibrium

5. Reinstatement of original state of equilibrium[38]

Keidel, in *The Geometry of Strategy* suggestions that linear thinking (or, in his terms, “Angular”) produce “best of both worlds” responses. He suggests that strategy generation for angular individuals and organizations has a tendency to produce polarities, and decision makers will try to avoid downsides and risks by choosing to be neither one extreme nor the other. Examples of organizational decisions include physical versus virtual, differentiation versus integration, short term versus long term and continuity versus change. If the decision is whether to proceed with a merger (which would be good for the organization) or try and remain autonomous (which also has substantial merit), the solution is often to try and do both, balancing the perceived polarities.[39]

3.2.1 The “Horizontal and Chronological Intertwined”

The horizontal and chronological intertwined structure is linear in its approach. It uses a straight storyline with multiple subplots that ‘intercept’ the main through line throughout the story. Sometimes this interception is diversionary, or temporarily halts the action; at other times, the interception is convenient and assists the protagonist.

The key to the “intertwined” model is the independent nature of these storylines. The independent “characters” or competitors move forward much like the main character or the protagonist. They will influence the main storyline, at the narrative point of contact, and then move off for a period of time, before returning to the main storyline once again.

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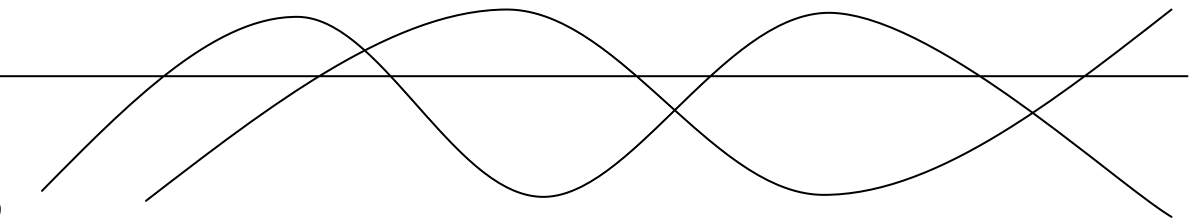
[38] Altman, Rick. (2008). *A Theory of Narrative*. New York, NY: Columbia University Press.

[39] Keidel, Robert. (2010). *The Geometry of Strategy.* New York, NY: Routledge.

Figure 4 Intertwined Story Structure


[40]

3.3 NON-LINEAR NARRATIVE STRUCTURES

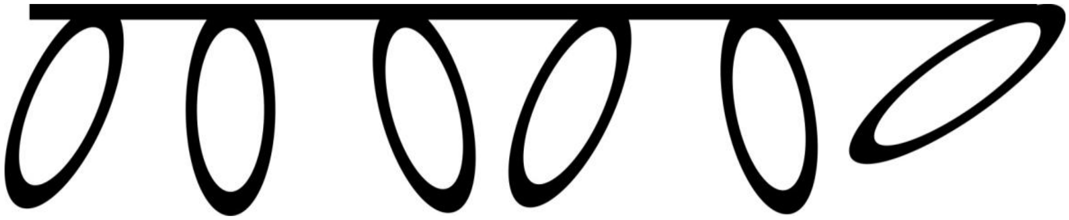
Of greater interest are alternative narrative structures, and the potential implications of how an organization's narrative might fall into one of these categories.

3.3.1 The "Memory Narrative"

In the memory narrative, a present moves along with relative straightforwardness and some minor interruptions. However, there are 'branches' or 'nodes' in which the plot loops into memories. It is important to note the difference between branches and nodes. A branch suggests a memory shoots off into a different direction and ends. On the other hand, a node, as illustrated in Figure 5, circles back and returns to the present. The nature of the structure is remembered, digressions are critical to the forward momentum of the current storyline, and each node must be completed and 'remembered' before the story can continue.

[40] Hodgins, Jack. (1993). *A Passion for Narrative*. Toronto, ON, Canada: McClelland and Stewart Ltd.

Figure 5 Memory Story Structure



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Though conceptually harder to place in the business world than the classical narrative, there are some obvious examples of how this might apply. Loblaw recently returned to a "Worth Switching Supermarkets For" campaign. If Sobeys were attempting to create a strategic storyline of what Loblaw might do in the near future, they likely would have focused on new products, innovative solutions, aggressive pricing, and expansionist movement. But the strategic choice Loblaw made was to conjure a memory, to follow the path of a memory node, reinvigorating the No-Name and PC brand product lines and drawing on its past to push it forward into the future.

In this storyline, the plot or path of the organization is largely determined by core competencies, historical successes and failures, and is illustrative of path dependencies. Placing an organization's strategy in this structure would raise certain questions. What are the firm's core competencies? What are their historical successes and failures? What, historically, worked for them in the past that they might try again? What strategic moves failed them in the past and how likely are they to attempt this again? Is the mood of the

[41] Hodgins, Jack. (1993). *A Passion for Narrative*. Toronto, ON, Canada: McClelland and Stewart Ltd.

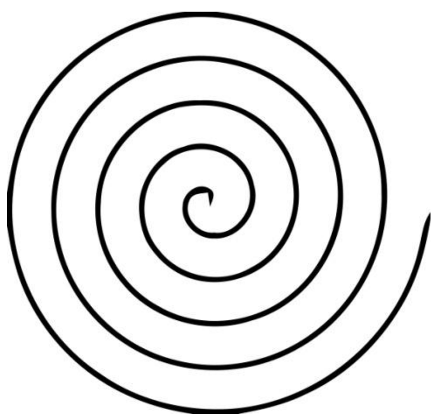
organization aggressive and self-confident? If so, they may attempt past failures. If they are timid, and appear unsure of what they should do, they might circle back, and try to "reinvent the wheel". An organization in crisis might return to past successes in an attempt to relive past glories.

Each plot step must include a doubling back, a retrospective look at past organizational achievements and failures.

3.3.2 The "Circling Narrative"

In the circling narrative, the plot circles around the ending. There is not the linear, steady building of plot and scenes. Instead, there is a constant curving back and inward. Scenes are not so much linear as they are repetitive, possibly repeating with minor variations. [42]

Figure 6 Circling Story Structure



If there had to be an organization that (implicitly) viewed strategy this way, it would likely be a learning organization. Perhaps the most famous example of learning as strategy is Honda's entrance into the American motorcycle industry.

[42] Hodgins, Jack. (1993). *A Passion for Narrative*. Toronto, ON, Canada: McClelland and Stewart Ltd.

> "The Japanese don't use the term "strategy" to describe a crisp business definition or competitive master plan. They think more in terms of "strategic accommodation" or "adaptive persistence," underscoring their belief that corporate direction evolves from an incremental adjustment to unfolding events." [43]

Every step of the way was a learning process, a realignment of strategic intent. There was no straight line for Honda.

When considering other companies from this perspective, it could cast new light on an organization's actions. A good example in the grocery retail industry could be Safeway. Despite healthy historical penetration rates in Canada, their market share have consistently fallen, sales have slumped and, strategically, they appear to be adrift. Is this a classical narrative story in which Safeway has failed to respond to new competitors in Western Canada? Alternatively, could Safeway's actions be reperceived as a circle narrative, in which they are actually slowly moving towards their goals? Are they trying to reinvent themselves and are demonstrating "adaptive persistence"?

Similarly, in the fulcrum firm, this way of thinking and this line of reasoning can reshape the current state of the organization's strategic goals, and how it wishes to reach its long-term goals. Organizations that are sensitive to their limitations and their core competencies might shape the strategy of a new or reinvented product or service offering

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[43] Mintzberg, Henry, Pascale, Richard, Goold, Michael and Rumelt, Richard. (1996). *The Honda Effect Revisited.* California: CMR, Volume 38, Number 4. Retrieved January 11, 2011 from:https://destiny.bus.sfu.ca/emba/2009%20Cohort/Fall%202010/Bus%20607%20%20Strategy/Class%205/The%20Honda%20Effect%20Revisited.pdf

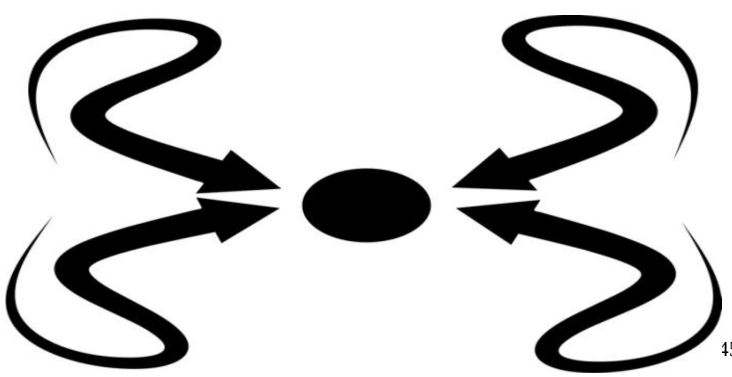
in this light. They can, to a certain extent, plan for mistakes and setbacks in a way that traditional, linear strategic planning would not allow for. As noted by Mintzberg, "While the learning schools suggest that organizations learn with ease, the cognitive and the cultural schools imply that they learn only with great difficulty." [44] It is this consideration of easy versus difficult learning that needs to be understood.

Questions asked would include what have we learned so far? How have we captured value through setbacks? What do we know we do not know and how will that effect the generation and execution of the strategic plan?

3.3.3 The "Converging Narrative"

The converging narrative tracks seemingly disparate, separate storylines that eventually converge. A common plot example is the convergence of individual characters at the scene of a murder or gruesome accident.

Figure 7 Converging Story Structure


[45]

[44] Mintzberg, Henry. Ahlstrand, Bruce and Lampel, Joseph. (1998). *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management.* New York, NY: Free Press.

[45] Hodgins, Jack. (1993). *A Passion for Narrative*. Toronto, ON, Canada: McClelland and Stewart Ltd.

The convergence narrative in strategy is the intentional or unintentional movement towards a similar or identical goal or outcome. The story is one of an increasingly undifferentiated strategy. Notice that "characters" in this story structure start in different places or positions. Then, strategies converge. This convergence need not be intentional. Two or more firms could set out with disparate positions and objectives. Without sufficient foresight, they begin to converge in on each other, becoming undifferentiated. A convergence story is usually not a planned one. It is emergent and a natural story that takes shape with similar firms in different positions responding rationally and intelligently to market trends and the operating environment.

Organizations here might ask questions around path dependencies: when and how can we throw on the brakes? Can we reach our goal before the other firm? Who has a head start? Once we reach our goal, is it sustainable? If we are the second or third firm to reach this point, how can we turn a late mover disadvantage to an advantage? By converging, have competitors left uncontested market space elsewhere?

3.4 SUMMARY OF NARRATIVE STRUCTURES

This list is by no means exhaustive. These structures exist in a multitude of minor variations. With these structures identified and explained, discussion can now turn towards using them as constructs; superimposing strategic actions and micro scenarios over top of narrative perspectives in an effort to generate potentially useful strategic knowledge that will aid the organization in the future.

4: STRATEGIC ORGANIZATIONAL STORY DEVELOPMENT

4.1 INTRODUCTION

With a detailed understanding of the current situation, and a basic understanding of linear and non-linear story structures, the process must now turn towards developing and exploring the industry landscape from a storytelling perspective. The strategies of both the fulcrum firm and its competitors have to be narratized.

The story creation process will occur in the following steps:

1. Assess mission statements as organization loglines
2. Mine fulcrum firm, competitors, and other relevant parties in order to create character profiles
3. Lay out appropriate characters as actors and develop brief organizational stories around current situation and path dependencies of each, as well as industry 'stage' with all the major actors laid out
4. Create organizational one-page story overviews
5. "Beat out" the story
6. Consider story structures to 'hang' organizations current narrative on

Once the current narrative of the organization has been developed, then the analysis can turn to mining the complex relationships for potential micro scenarios and scenario development.

4.2 LOGLINE AND MISSION STATEMENTS – THE ORGANIZATIONAL STORY

A mission statement traditionally provides the overall direction and stated operational intent of an organization. Equally, it can determine “the framework or context within which the company’s strategies are formulated.” [46] Organizations will broadly lay out the corporate strategic scope of their operations within the mission statement.

For example, Dell’s mission statement is “To be the most successful computer company in the world at delivering the best customer experience in markets we serve.”[47] Note that despite being a company that designs and builds computers, there is no mention of technology. There is no desire to be on the cutting edge and offering innovative products. Dell aspires to offer great customer service, whether it means powerful, fast computers or slow but reliable computers. The goal is satisfying the customer, not developing or offering new technologies. Another example is Harley-Davidson Inc. “We fulfill dreams through the experience of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and services in selected market segments.” [48] Harley’s strategy is clearly geared towards the inspirational. The brand of Harley over the physical riding of the motorcycles. They

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[46] Hill, Charles., Jones, G. (2008). *Strategic Management*. Houghton Mifflin Company: New York.

[47] Farfan, Barbara. (2011). *Dell Computers – Facts, Research, History, Trivia, Mission Statement and Quotes.* Retrieved January 24, 2011 from: http://retailindustry.about.com/od/topus retailcompanies/p/dellincprofile.htm

[48] Harley-Davidson Mission Statement. (2011). Retrieved March 1, 2011 from: http://www.missionstatements.com/fortune_500_mission_statements.html

specify ‘the general public,’ indicating that a significant piece of their strategy involves selling products to customers who will never ride a Harley. Finally, they recognize that they have a specific market segment. They have a clear differentiation strategy.

Finally, Nike’s mission statement is “To bring inspiration and innovation to every athlete in the world.” [49] Here, unlike Dell, the strategy is about offering innovation and brand value. The market segment is not as specific as Harley, but very general in its attempt to reach “every athlete in the world.”

A logline in narrative serves a similar function. The term is used specifically in television, and has expanded to film as well. It comes from the one sentence description of each television show episode found in TV Guide. It is a ‘log’ of storylines. “When someone in the biz says, “What’s the logline?” that person is expecting to hear from you the shortest and catchiest possible statement of your idea.” [50]

Some examples of loglines would be from such shows as *Fear Factor* “Ordinary people face their fears by competing against each other in outrageously devised stunts.” [51] In film, *Edward Scissorhands* “A suburban mother brings home a freaky young man who has scissors instead of hands.” [52] *Fear Factor* will not venture into romantic comedy and

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[49] Nike Mission Statement. (2011). Retrieved March 1, 2011 from: http://www.mission statements.com/fortune_500_mission_statements.html

[50] Brody, Larry. (2003). *Television Writing from the Inside Out*. New York, NY: Applause Theatre & Cinema Books.

[51] The TV Writer’s Vault. (2008). *Loglines.* Retrieved January 12, 2011 from: http://www. tvwritersvault.com/creating/creatingLoglines.asp

[52] Hollyn, Noram. (2011). *Log Line Examples – Good and Bad*. Retrieved January 21, 2011 from: http:// www.norman-hollyn.com/535/handouts/loglines.pdf

Edward Scissorhands will not be a realistic drama. The scope of the story is defined with a single sentence; much like the scope of a firm.

The mission statement and the logline are very similar. In writing terms, it is the idea of what the film or TV show should be about; for a company, it is the idea of what the organization should be about. A producer would ask, “What is your story about?” and an executive might ask, “What is our company about?”

A mission statement can be treated like a logline. If we were to write a story about Loblaw, the formulation of the story would begin with Loblaw’s mission statement, which is “To be Canada’s best food, health and home retailer by exceeding customer expectations through innovative products at great prices.” [53] Loblaw uses “great prices,” not necessarily low prices. They set out to innovate, where Dell does not. But both wish to be customer focused. The mission statement is the starting point of each company’s story. Or, as Schwartz notes, “A central part of the strategic conversation is first articulating the business idea and then testing it against the evolving realities of the business, especially its business environment.” [54]

4.2.1 Mission Statements of Competitors

The first step, then, to understanding key and potential competitors is to review the organizations’ mission statements. The mission statement is, at its core, the organization’s logline, the story the firm wishes to tell. The mission statement is the

[53] Loblaw Mission Statement (2011). Retrieved January 12, 2011 from: http://inside.loblaw.ca/en/OurCompany/Pages/MissionValuesandBehaviors(MVB).aspx

[54] Schwartz, Peter. (1991). *The Art of the Long View.* Toronto, ON: Currency Doubleday.

strategic vision the organization has laid out for itself, its employees, shareholders, and the general public. It is the story that the firm wishes to act out on the industry stage.

4.2.1.1 The Big 4

Wal-Mart

"We Save People Money So They Can Live Better."[55]

Sobeys

"We are and will continue to be a leading progressive food retailer providing excellent service, quality and value to our customers through dedicated people while aggressively developing new markets." [56]

Metro

"To be the best performing food retailer in Canada." [57]

4.2.1.2 Other Competitors

Target

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[55] Farfan, Barbara. (2011). *Wal-Mart Stores' Mission Statement – People, Saving Money, Living a Better Life.* Retrieved January 25, 2011 from: http://retailindustry.about.com/od/retailbestpractices/ig/Company-Mission-Statements/Wal-Mart-Mission-Statement.htm

[56] Sobey's Mission Statement (2011) Retrieved January 25, 2011 from: http://www.authorstream.com/Presentation/ankush85-210264-strategic-retail-management-education-ppt-powerpoint/

[57] Metro (2011). *Redefining our Responsibilities: A Roadmap for the Future.* Retrieved February 26, 2011 from: http://www.metro.ca/userfiles/File/Corpo/Responsabilite/Metro_Roadmap_ EN_100810%20(2).pdf

“Our mission is to make Target the preferred shopping destination for our guests by delivering outstanding value, continuous innovation and an exceptional guest experience by consistently fulfilling our Expect More. Pay Less. brand promise.” [58]

Safeway

"We earn the loyalty of the people we serve by first anticipating, then fulfilling their needs with our superior-quality products, a unique shopping experience, customer-focused service and continuous innovation, while generating long-term profitable growth for our shareholders." [59]

Choices

“Offering our customers a variety of natural, organic and conventional products at affordable prices. Designing our markets for a warm, attractive, family friendly shopping experience. Training our employees to exceed retail customer service expectations.” [60]

4.2.1.3 Summary of Competitor Mission Statements

The intent of reviewing competitor mission statements is to take the first step towards creating an organizational and strategic storyline for each firm. The mission statement does not provide a nuanced breakdown of the strategic actions and interactions that each firm will undertake. But what it does do is state the intended focus of the firm. It does not express the HOW, but it does express the WHAT.

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[58] Target. (2011). Our Mission. Retrieved January 14, 2011 from: http://sites.target.com/site/en/company/page.jsp?contentId=WCMP04-031699

[59] Safeway. (2011). *Our Mission Statement.* Retrieved April 16, 2011 from: http://www.careersatsafeway.com/why-work-for-us/missionvision-statement/

[60] Choices Market (2011). *About Our Company: Mission and Values.* Retrieved February 26, 2011 from: http://www.choicesmarket.com/mission-values.htm

4.3 COMPETITORS AS CHARACTERS

Competitors are often compartmentalized into strategic groups, such as has been done in section 2, the current situation analysis. However, the changing realities can make them far more fluid.

A traditional competitor analysis can be done, but the critical elements, the important pieces to an organization competing with them, still need to be intuited. What are the motivations of the organization? What is the current thought process and intent of the competitor? Moreover, what will the competitor do next?

4.3.1 Competitor Overviews

A competitor overview will provide the basic information and outcomes of analysis. A SWOT analysis, along with data on store penetration by region, banner and private label offerings, as well as historical overviews provide firm context. Preferences and motivations can be inferred, and current strategic mandates and potential future actions can then be considered as part of the competitor's 'story' – in essence, what are their long-term strategic plans. The goal is not to form rigid criteria, narrowly defining what a particular company is and is not good at. Instead, the exercise should reflect the first steps towards the painting of a portrait.

4.3.2 Characters

Characters in film or fiction often start from some type of character template. These are generally done at the outset of the story, after the initial idea, or it is a device used mid-creation by the author, whose goal is to flesh out characters who are either too one-dimensional or whose next move or action the author is unclear about. The purpose of this exercise is one of discovery. The author knows some key elements of the character, but the hope is by mining what is already known about the character, more can be discovered. Likewise, the exercise can be heuristic when it comes to character generation and development; the author can return to the simple description repeatedly, to remind himself of simple descriptions, habits, and history that might otherwise be forgotten or lost in a ream of written material.

Characters in traditional stories generally fall into two categories: lead characters and supporting characters. Now, character outlines will be developed for all lead characters, which will then be used to define future plots, subplots, and storylines.

The key to these outlines is to get at underlying motivations and behaviours. It is about point of view and visualizing the competitors as characters. This conceptualizing need not be based solely on basic firm facts, though firm facts are important. Put another way, "Are you going to sit there and define him [your character] by listening to all the facts about him… or by asking key questions to try to find the essence of your character?"[61] The key questions that define the character are essentially the strategic quandaries that are a part of any traditional analysis. For each character, it will be critical to pose key questions, though not necessarily to answer them all.

4.3.3 Character Outlines and Composites

An example of a basic character outline follows:

Table 15 Basic Character Outline

Name	Zada

[61] Seger, Linda. (1990). *Creating Unforgettable Characters*. New York, NY, USA: Henry Holt and Company.

Age	14
Height	5'2
Weight	90 pounds
Shape	Slender and vulnerable
Career	Highschool student
Present State of Career	Does poorly in school
Clothing	Older sister's hand me downs. When older sister wore them, they were not very cool… even less cool now
Hands	Small, usually fidgeting nervously with each other
Feet	Constantly shuffling
Education	In school
Vocabulary	Shorter sentences; she is used to being interrupted; if allowed to, might not even be able to finish her thoughts
Speech Pattern	Jumps around a bit; stops for breath at unusual times when she is speaking
Home	Small little rented townhouse
Living Conditions	Still, in her mind, a safe place despite all that happens there; she still has not fully realized that her family situation isn't 'normal'
Marital/Sexual Status	Single; no boyfriend, but aware of boys; sex is still kind of a grey area
General Ambition in Life	Would like to be like her older sister
Immediate Goals	Do better in school
Attitude to People	Shy; afraid in a vague sort of way that others might hurt her
Transportation	Bus
Favourite Music	Listens to anything her older sister likes
Favourite Writer	Does read a fair bit; escapism - girl's detective stories. Some young adult fantasy
Favourite Food	Chicken fingers
Favourite Sport	Wished she could join the soccer team, but her family does not have the money
Dominant Personality Trait	Shy and nervous

In "Creating Unforgettable Characters" Linda Seger, a script consultant, suggests six stages necessary for creating a character, not necessarily sequential:

1. Getting the first idea from observation or experience
2. Creating the first broad strokes
3. Finding the core of the character in order to create character consistency
4. Finding the paradoxes within the character to create complexity
5. Adding emotions, attitudes, and values to further round out the character

6. Adding details to make the character specific and unique[62]

There are many character templates available, some only consisting of a few key characteristics that focus on either the internal (mental) world of the character or the external (physical) characteristics. The point of the exercise is to develop the character, to understand the character in new ways that can be integrated into the story. The character's actions, preferences, and presuppositions will affect the story.

4.3.4 A Note on Naming Characters

Names are important here, heuristic representations of what images and beliefs are conjured by individual competitive firms. Some research has been done in this area, mainly Danny Miller and Peter Friesen's work on strategy formation archetypical firms, in which he defined ten archetypes, six successful firm archetypes and four "failure" archetypes. [63] Successful Firm Archetypes are:

1. The adaptive firm under moderate dynamism
2. The adaptive firm under extreme dynamism
3. The Dominant Firm
4. The Giant Under Fire
5. Entrepreneurial Firm
6. The Innovator

Failure Archetypes are:

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[62] Seger, Linda. (1990). *Creating Unforgettable Characters*. New York, NY, USA: Henry Holt and Company.

[63] Mintzberg, Henry. Ahlstrand, Bruce and Lampel, Joseph. (1998). *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management.* New York, NY: Free Press.

7. The Impulsive Firm

8. The Stagnant Bureaucracy

9. The Headless Giant

10. The Swimming Upstream[64]

Although helpful in some respects in identifying specific stages of a firm's existence and strategy (or strategic drift), the names are too broad and generic for specific narrative exercises. For example, the Headless Giant is defined as "a set of businesses with weak central authority." [65] The term is useful to describe a particular stage of an organization's life cycle, but is not specific enough, and is not imbued with the necessary meaning, to substitute for actual character names. The Headless Giant could be an accurate representation of all competitors in a specific industry. In the end, archetypes are simply that: broad categorizations. Naming by the fulcrum firm helps to define the character in a more connected and meaningful way.

4.3.5 Character Composites

With a more traditional overview of the firm illustrated, the analysis can move more towards an intuitive and heuristic approach. Creating a character composite is meant to humanize the firm, to give it a certain life and personality beyond what the basic facts, figures, and financials suggest. The following fields are explored:

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[64] Miller, Danny., and Friesen, Peter. (1977). *Strategy-Making in Context: Ten Empirical Archetypes.* Journal of Management Studies, Volume 14, Issue 3. Retrieved April 16, 2011 from: http://web.ebscohost.com.proxy.lib.sfu.ca/bsi/pdf?vid=28&hid=105&sid=4d0fc591-1267-4040-bf5f-8393f416c2f0%40sessionmgr110

[65] Mintzberg, Henry. Ahlstrand, Bruce and Lampel, Joseph. (1998). *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management*. New York, NY: Free Press.

1. FIRST IMPRESSIONS/BROAD STROKES: First impressions of the firm as character. What immediately comes to mind when thinking about this firm? If they were a character walking into the room, what conclusions would others immediately draw?

2. CHARACTER CORE: What is the essence of this character? This is about core competencies, but it is also about what is behind those core competencies. Characters/people go through life defining themselves by what they are good at, and what they are not. What is the core of the character?

3. POTENTIAL PARADOXES AND INCONSISTENCIES: What contradictions do you see in this character? What have they said and done that isn't consistent? Where are the gaps between stated objectives and strategic vision, and actual actions? This component is important to realizing a character of some complexity, a character capable of making dynamic decisions, a three-dimensional character.

4. EMOTIONS: What emotions does the character appear to possess, especially currently? Do they seem angry? Arrogant? Nervous? Emotions are key to understanding and interpreting actions.

5. ATTITUDES: Slightly different from emotions. What general postures does the character strike? Defiant? Intimidated? Do they have a "we will overcome adversity" kind of attitude? Or are they "business as usual"?

6. VALUES: This can start with an exploration of stated "Values" that typically attend any firm value statement. But this goes beyond stated values for annual

reports. What does the character really seem to believe in? Where are stated values met by actual action and where is it just lip service? For a company, values are usually seen as a relatively generic corporate social responsibility pitch. However, for a character, for a human, a set of values defines their outlook on life, how they interpret the world around them, how they shape the past and look to the future. These are values.

7. QUIRKY HUMANIZING DETAILS: What other details about the character catches the eye? Human characters might walk with a slight limp, laugh quietly to themselves, or have a habit of pulling on their earlobe while they listen to others talk. Firms may have their own quirky features, such as a refusal to adopt some small industry standard or unusual marketing habits.

8. KEY DEFINING QUESTIONS: As a character, what questions occupy the firm's time? A character might ask why they exist? What happens after they die? Will they ever find love? A firm would also have a series of questions, generally strategic, that occupies significant amounts of time and are critical to their continued existence.

4.3.5.1 Metro

4.3.5.1.1 Metro Company Overview

Table 16 Metro Company Overview

AGE	64 years old
LOGLINE	To be the best performing food retailer in Canada
BRIEF HISTORY	• Begins in 1947 as a group of independent Quebec grocery retailers banding together • Cooperation extends to group advertising by the mid-50's • 1959 - It is decided to extend cooperative sales to non-members

	• The "Lasalle Group" continues to expand membership, and many new members choose to adopt the "Lasalle" banner • Coordinated advertising and sales campaigns proliferate in the 60's • 1967 - Expo exposes Metro's customers to significant international food offerings • 1967 - Lasalle forms alliance with Richelieu, becoming Metro-Richelieu • 1980 - Enters the convenience format market • 1980 also marks the "We Know Our Customers" campaign • 1981 - Formal Metro and Richelieu merger • 1999 - Acquires Loeb banner in part through Provigo anti-trust charge against Loblaw. Significant Ontario presence. • 2000's involve Quebec consolidation by buying out smaller grocery chains • 2005 - A & P acquisition making Metro significant Ontario and Quebec player • 2007 - Private label overhaul of "Selection" and "Irresistible"
WALLET	2010 Sales: 11,342.9 Million 2010 Operating Income: 585.8 Million
BANNERS (SUPPORTING CAST)	• Metro and Metro Plus • Super C • Marche Richelieu • Les 5 Saisons • Food Basics • Distagro • Burnet and Brunet Plus • Pharmacy
PRESENCE	**Totals** Grocery Stores: 265 Total Square Footage: 19.7 Million Total Drugstores: 265 **Western Canada:** Unknown **Ontario:** Metro: 155 Food Basics: 116 **Quebec:** Metro/Metro Plus: 224 Super C: 71[66]
PRIVATE LABEL OFFERING	**Selection:** Marketed as comparable to national brands, at a discounted price

[66] Metro. (2011) *Company Profile.* Retrieved March 5, 2011 from: http://metro.altitudesolutions. com/client/page1.asp?page=2&clef=1&clef2=1

	Irresistible: Higher end positioned offering, at comparable national brand costs
GROWTH	Over last 15-20 years, mainly by acquisitions. Historically, growth was by new members joining the cooperative.
CORE COMPETENCIES/ COMFORT ZONE	Quebec Region historically. Now, large Ontario presence and competence. Focus on "We Know Our Customers". But outside central Canada, they do not really.
STRENGTHS	• Strong regional presence (Ontario and Quebec) • Third largest grocery retailer in Canada • Strong food and pharmacy offerings • 4.4% sales increase year over year 2008-2009
WEAKNESS	• Large number of banners dilute brand awareness • Sunk costs in small retail floor space • Limited ability to expand product offering • Significant constraints in moving towards hypermarket competition
OPPORTUNITIES	• Growing demand for convenience formats • Potential hypermarket expansion • Cost leadership value proposition • Strong private label offering • Increased private label consumer demand
THREATS	• Larger low cost competitors • Squeezed between Loblaw and Wal-Mart • Price war could erode margins further • Unknown consumer confidence[67]

4.3.5.1.2 Metro Character Composite

Table 17 Metro Character Composite

FIRST IMPRESSIONS / BROAD STROKES	• Bigger than their britches • Ontario/Quebec-centric • More focus placed on being big than optimal performance
CHARACTER CORE	• Working collectively to get things done • Retaining local flavor – even under consolidated banners, still local • French identity

[67] Company Profile – Metro Inc – Q1 2011. (2011). Retrieved February 1, 2011 from: http://www.businessmonitor.com.proxy.lib.sfu.ca/cgibin/request.pl?view=articleviewer&article=427372&service=5&SessionID=717644477819219&iso=CA&metaid=383#

POTENTIAL PARADOXES AND INCONSISTENCIES	• Sort of turning its back on historic French ties to focus on rest of the country • Wants to be best in food, but explicitly states plan to sacrifice food offerings at discount stores • Has ‘rationalized’ national resources, even though they aren’t really that national yet
EMOTIONS	• Kind of confused • Unsure
ATTITUDES	• Timid • Unprepared
VALUES	• Be the best food retailer in Canada • Long-term loyalty • Shareholder returns and creating shareholder value consistently • Supermarkets • Delighted customers • Respect for the environment • Strengthened communities • Empowered employees
QUIRKY HUMANIZING DETAILS	• Historical growth through collective buying shows a potential collaborative bent • The biggest in Ontario and Quebec, tiny everywhere else, like a weightlifter that only works out certain muscles
KEY DEFINING QUESTIONS	1. Will Wal-Mart succeed in Quebec? 2. Will our customers migrate to a hypermarket channel? 3. What are our long-term objectives in Western Canada and do we have competitive advantages to be successful there? 4. Can majority market share in central Canada be maintained? 5. Can we continue to grow at an acceptable rate, and ward off potential threats, despite consistently realizing smaller margins because of not having a hypermarket channel offering?

4.3.5.1.3 Metro Character Summary “The Little Big Guy”

The Little Big Guy is a character who is little by nature, but finds himself in a role perhaps larger than is tenable and within scale and scope of the organization. There is a large presence in a limited amount of space, geographically. Although used to a highly competitive environment, he is not used to being on top, and is now a prime target for other competitors both large and small.

The acquisition of A&P in 2005 cemented their position as the third largest grocery retailer in Canada, behind Loblaw and Sobeys. Historically, they have grown first through cooperative buying and then through acquisition, and currently operate a number of diverse banners. Metro is deeply rooted in Quebec. Metro has a more collaborative history than most of the other players, a historical leaning that could serve them well. Calling them "cooperative" may be too extreme, but as a character, they are the most likely out of the Big 4 to seek out alliances and work jointly. Their strong history in Quebec is also both an asset and a liability. It could make it more difficult in other areas of the country. At the same time, it could prove difficult for Wal-Mart to root them out of Quebec. Metro could contract, but remain strong in the Quebec region.

The Little Big Guy is not entirely comfortable outside of his own backyard. He is conscious of his size, but does not always know how to use it to his advantage. He may barrel ahead into certain endeavours, make it a great ways because of sheer size and brute force, but eventually come up short, look back, and wonder how he went so far astray. He probably still relies and needs the help of others, but like a teenager, does not want to admit it and sets out on his own.

Where Metro's core business is concerned, he does well. He provides quality groceries at reasonable prices to Ontario and Quebec customers. Whether those competencies can be leveraged elsewhere in the country is still unknown.

Finally, physical assets are a concern. Metro has a large number of average size grocery stores that cannot be readily converted into the hypermarket format. However, they are more locationally convenient. Whether customers continue to migrate to the hypermarket format, and whether Metro (or another competitor) can find a way to make supermarket margins as large as the hypermarket margins, will be a major concern. He has shown a strong ability to leverage the physical assets that he has.

4.3.5.2 Wal-Mart

4.3.5.2.1 Wal-Mart Company Overview

Table 18 Wal-Mart Company Overview

AGE	51 years old
LOGLINE	We save people money so they can live better
BRIEF HISTORY	• Sam Walton started with a chain of "Walton" stores • 1960 - First "Wal-Mart" is opened in Arkansas • 1968 - First store is opened outside Arkansas • 1988 - First Supercenter opened • 1991 - First international store opening, in Mexico • 1994 - Entered Canada through acquisition of Woolco • 1996 - Entered China, a joint venture • 1997 - Hit $100 billion in annual sales • 2006 - Sold 85 stores in Germany and pulls out of that market • 2006 - Opened first Canadian supercenter • 2006 - opening of new concept supercenter – upscale version with wider offering of high-end products • 2006 - begins offering a wider selection of organic foods • Remodeling of traditional, smaller non-food stores to include food offerings • Mid-2010 - launch Wal-Mart bank in Canada • As of late 2010, 124 Supercenters have been opened in Canada
WALLET	2010 Sales: 405,046 Million 2010 Operating Income: 23,950 Million
BANNERS (SUPPORTING CAST)	• Wal-Mart Supercenters • Wal-Mart
PRESENCE	Discount Stores – 201 Supercentres – 124
PRIVATE LABEL OFFERING	**Sam's Choice:** A premium brand priced equivalently with national brand name products **Great Value:** A low price offering, marketed as 'just as good' as national brands, but cheaper **George:** Core apparel offering; aimed at great valued clothing

	See Appendices E for complete private label offerings from Wal-Mart
GROWTH	Organic, but looking to gobble up other characters
CORE COMPETENCIES/ COMFORT ZONE	Competing on cost and volume sales
STRENGTHS	• Predominantly engaged in lucrative hypermarket platform • Large retail space allows for retrofit of non-grocery shops • Significant resources that allow it to expand rapidly and aggressively both organically and through acquisitions
WEAKNESS	• Competes exclusively on cost leadership position • Low to no differentiation
OPPORTUNITIES	• Increased consumer demand for discounted goods • Growing market share • Room for organic growth • Demand for private label goods
THREATS	• Inconsistent demand forecasting due to increased market share • Entrance anywhere triggers price wars, which will reduce margins • Canadian urbanization versus suburbanization[68]

4.3.5.2.2 Wal-Mart Character Composite

Table 19 Wal-Mart Character Composite

FIRST IMPRESSIONS / BROAD STROKES	• Massive • Arrogant • Single minded • Love of conquering
CHARACTER CORE	• Low cost on everything… this permeates into corporate culture, into everything that they do. But it is about winning by low cost, by succeeding in the field of battle by doing everything more efficiently than the opponent
POTENTIAL PARADOXES AND INCONSISTENCIES	• Trying out urban store formats – like a barbarian at an opera • Surrender in Germany and South Korea – they 'gave up'
EMOTIONS	• Cold-hearted • Fierce • Sometimes bi-polar
ATTITUDES	• Traditionally arrogant

[68] Company Profile – Wal-Mart – Q1 2011. (20110). Retrieved February 1, 2011 from: http://www.businessmonitor.com.proxy.lib.sfu.ca/cgibin/request.pl?view=articleviewer&article=427375&service=5&SessionID=717644477819219&iso=CA&metaid=383

	• A little humbled
VALUES	• A positive “influencer” in local and global communities • Leadership in sustainability • Leads the “fight”, whatever that fight might be
QUIRKY HUMANIZING DETAILS	• Habit of breaking promises – (staying open on Sundays, selling alcohol, etc)
KEY DEFINING QUESTIONS	1. How much do we change for the Canadian customer and how much do we try to impose change on them? 2. How do we win in the Quebec market – and do we want to? 3. How confident are we in sufficient, organic growth? 4. Who is selling, who can we force to sell, and who do we want to buy? 5. Do we need to move from suburban to urban? 6. Will lowest cost overshadow other value propositions for the majority of customers?

4.3.5.2.3 Wal-Mart Character Summary “The Barbarian”

The Barbarian is used to getting what he wants. He has plenty of resources, plenty of muscle and lots of time, but not necessarily a lot of patience. He is slow moving, but hard to stop. He also does not generally get along well with others. Once he decides on something, he is determined, but will only occasionally admit defeat and sulk away. But for the most part he will push forward, regardless of how well the fight is going. The Barbarian also has a lot of fighting experience, though no two fights are the same, and the Barbarian, at times, does not have the best memory. He is so big that sometimes he does not know just what his body is doing. He is used to conquering, going into markets and taking over.

His appetite for conquest is insatiable. He will attack opponents at will, but his approach could vary if he wishes to try and take over an enemy, acquiring them, instead of destroying them in the field of battle. This peaceful conquering technique will only occur when the Barbarian is not happy with the organic rate at which he is growing and acquiring power, or if he is sufficiently unsure of the local competitive landscape.

4.3.5.3 Sobeys

4.3.5.3.1 Sobeys Company Overview

Table 20 Sobeys Company Overview

AGE	104 years old
LOGLINE	We are and will continue to be a leading progressive food retailer providing excellent service, quality and value to our customers through dedicated people while aggressively developing new markets.
BRIEF HISTORY	• John William Sobey starts up a meat delivery business in 1907, in Nova Scotia • 1924 - Sobey and his son diversify into a wider range of groceries • 1939 - Sobeys has expanded to six stores • 1947 - First 'supermarket' format store opens • Continued expansion across Atlantic Canada through the 50's – 70's • Frank Sobey's son takes over management of company • 1987 - First store in Ontario – and first store outside of Atlantic Canada – opens • 1998 - Acquires Oshawa group, effectively making Sobeys a national player • 2005 - Introduces private label Compliments • 2007 - Acquires Thrifty Foods, giving them a presence in British Columbia[69]
WALLET	2010 Sales: 15,516.2 Million 2010 Operating Earnings: 284.5 Million
BANNERS (SUPPORTING CAST)	• Sobeys • IGA and IGA extra • Thrifty Foods • Foodland • Fresh Co. • Price Choppers • Lawtons Drugs • Rachelle-Bery • Needs Convenience • Marche Bonichoix • Tradition

[69] Sobeys. (2011). Our History. Retrieved on March 5, 2001 from: http://www.sobeys corporate.com/en/Our-Company/History.aspx

	• Sobeys Spirits
PRESENCE	**Totals:** Stores: 1,338 Square Footage: 28 Million **Western Canada:** Total Stores: 215 Total Square Footage: 5.1 Million Sobeys: 105 Thrifty Foods: 25 IGA: 51 Price Choppers: 1 Sobeys Spirits: 30 Corporate: 123 Franchise affiliates: 92 **Ontario:** Total Stores: 340 Total Square Footage: 8.5 Million Sobeys: 97 Fresh Co.: 27 Price Choppers: 61 Foodland: 155 Corporate: 139 Franchise affiliates: 201 **Quebec:** Total Stores: 406 Total Square Footage: 9.2 Million IGA: 163 IGA: 100 Rachelle-Bery: 19 Marche Bonichoix: 93 Les Marches Tradition: 31 Corporate: 37 Franchise affiliates: 369 **Atlantic Canada:** Total Stores: 377 Total Square Footage: 5.2 Million
PRIVATE LABEL OFFERING	**Compliments:** A diverse offering with its own mixed strategy. Includes: Compliments Balance, Compliments Organics, Sensations by Compliments, Compliments GreenCare **Gourmet Minute:** Quick, affordable, “home-style,” prepared meal offerings **S!gnal:** Low cost offering. Includes non-food as well as food offerings
GROWTH	Predominantly natural; growth almost always preceded by the property and

	development division of the company
CORE COMPETENCIES/ COMFORT ZONE	• Providing quality fresh food offerings at low price • Automatization of key operations
STRENGTHS	• Fresh food offerings • Diverse private label offering • Second largest grocery retailer in Canada
WEAKNESS	• Market share loss – went from second overall in critical Ontario and Quebec markets to third (still second nationally) • Sunk costs in small retail floor space • Limited ability to expand product offering • Constraints in moving towards hypermarket competition • Brand dilution and lack of synergies due to wide range of banners
OPPORTUNITIES	• Private label demand • Untapped hypermarket potential • Potential convenience banner formats • Increased consumer demand for discounted goods
THREATS	• Increased price sensitivity due to economic downturn • Ability to innovate unknown • Wal-Mart supercenters may further erode market share and margins[70]

4.3.5.3.2 Sobeys Character Composite

Table 21 Sobeys Character Composite

FIRST IMPRESSIONS / BROAD STROKES	• Well organized • Focused • Long-term growth strategy unclear – where are you going to go next?
CHARACTER CORE	• Know thy customer • Grocery First!
POTENTIAL PARADOXES AND INCONSISTENCIES	• Parent company is big on movie theatres – but insists on a single focus for the organization • Often talks about aggressive growth, but has focused on low growth,

[70] Company Profile – Sobeys – Q1 2011. (2011). Retrieved February 1, 2011 from: http://www. businessmonitor.com.proxy.lib.sfu.ca/cgibin/request.pl?view=articleviewer &article=427373&service=5&SessionID=717644477819219&iso=CA&metaid=383

	core grocery offerings
EMOTIONS	• Even-keel • Not that excitable
ATTITUDES	• Focused • Patient • Methodical
VALUES	• Entrenched beliefs • Adding value • Consistency
QUIRKY HUMANIZING DETAILS	• Despite significant financial shuffling, company is still "family controlled"; current President and CEO is Paul Sobey
KEY DEFINING QUESTIONS	1. Can traditional food grocery be profitable long-term? 2. Are we willing to take losses on grocery stores to make money on plaza leases? 3. Can we really beat the competition in low cost operations? 4. What do we do if customers flock to hypermarkets? 5. How close can we come to our customers?

4.3.5.3.3 Sobeys Character Summary "The Old Man on a Mission"

The Old Man has grown organically, as well as by acquisition. More recently, the Old Man has opened a new discount food banner in the greater Toronto area, FreshCo. As well as offering the "lowest prices" on certain fresh food offerings such as meat and produce, the FreshCo. banner is also meant to serve as a channel for a new line of ethnic product offerings in the culturally diverse regions of the GTA. The Old Man has traditionally been an east coast grocer until entering the Ontario market in 1987. He finally gained a foothold in the BC market in 2007 when he purchased Thrifty Foods, which operates primarily on Vancouver Island and the greater Vancouver region.

The Old Man is wise. He can see well into the future, and is patient. He does not rush, does not force things, though he can still be aggressive when he needs to be. There is a certain folksy wisdom, a belief in knowing his customers like he knew them 100 years ago. He tries to connect the past with technology in the present.

4.3.5.4 Loblaw

Although a detailed analysis of Loblaw operations has been provided, a summary company overview is included below.

4.3.5.4.1 Loblaw Company Overview

Table 22 Loblaw Company Overview

AGE	92 years old
LOGLINE	To be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices.
BRIEF HISTORY	See 2.3.1
WALLET	2010 Sales: 30,997 Million 2010 Operating Income: 1,269 Million
BANNERS (SUPPORTING CAST)	• Loblaw • Wholesale Club • Dominion • Independent • Zehrs • Fortinos • No Frills • Real Canadian Superstore • Maxi • Provigo • T&T • Bloor Street Market • Extra Foods • Osaka Supermarket • Valu-mart • Cash and Carry • Save Easy • Supervalu
PRESENCE	**Totals:** Newfoundland/Labrador: 52 PEI: 16 Nova Scotia: 70 New Brunswick: 62 Quebec: 428 Ontario: 508 Manitoba: 52 Saskatchewan: 62

	Alberta: 83 Northwest Territories: 2 Yukon: 3 British Columbia: 104
PRIVATE LABEL OFFERING	**President's Choice:** Including Organics and Blue Menu line, as well as full line of non-food offerings **No Name:** Products sold below national brand prices; the discount label
GROWTH	Relatively Flat – but maintaining overall market share
CORE COMPETENCIES/ COMFORT ZONE	• Control Brand offerings are central • Parent Company resources • Traditionally comfortable with being in a cost leadership position, but Wal-Mart has forced them to change their strategy somewhat
STRENGTHS	• Largest Canadian retailer • Able to compete on cost and product offering - mixed strategy • Cash rich parent company
WEAKNESS	• Supply chain infrastructure • IT and retail systems • Limited floor space in many traditional stores • Biggest and slowest to move • Limited growth by acquisition potential
OPPORTUNITIES	• Strongest private label offering in Canada (PC/No Name) • Positioning in hypermarket format • Strong low cost value proposition
THREATS	• Greater consumer price sensitivity • Wal-Mart expansion • Convenience format eroding margins[71]

4.3.5.4.2 Loblaw Character Composite

Table 23 Loblaw Character Composite

FIRST IMPRESSIONS / BROAD STROKES	• Big, but not always acting like the big guy • Still imposing • A lot of banners • Non-food offerings
CHARACTER CORE	• Stay on top!
POTENTIAL	• Size of organization makes for consistent inconsistencies; leads to

[71] Company Profile – Loblaw Companies Ltd. – Q1 2011. (2011). Retrieved February 1, 2011 from:http://www.businessmonitor.com.proxy.lib.sfu.ca/cgibin/request.pl?view=articleviewer&article=427368&service=5&SessionID=717644477819219&iso=CA&metaid=383

PARADOXES AND INCONSISTENCIES	silo'd, contradictory actions and decisions • Leveraging size and scale, but often maintaining independent ops
EMOTIONS	• Paranoid • Jumpy – a little scared sometimes
ATTITUDES	• Growing bolder • Believes he is 'fit to rule' – manifest destiny
VALUES	• Cultivate diverse communities • Leverage good governance for competitive advantage – look for win-wins first
QUIRKY HUMANIZING DETAILS	• Family owned and deeply influenced/involved • Dual strategy to outsource, as well as cultivate colleagues and hire more
KEY DEFINING QUESTIONS	1. Can we continue to be king of the castle? 2. Proper reaction versus over/under reacting? 3. How will food grocery drive our business in the future? 4. Whom can I trust?

4.3.5.4.3 Loblaw Character Summary "The Paranoid King"

The Paranoid King is, literally, king of the castle. Though you would not always know it by the way he acts. The king is rarely sure whom he can trust. He has plenty of advisors, and will go well beyond his kingdom to seek out those who profess to see into the future. He has deep coffers, which he uses well sometimes, not so well at other times. Perhaps the problem lies in the size of the king's empire. Decisions are made extremely slow, and executed even slower. The King can make strong decisions, but when those decisions will be executed and bear fruit are hard for him to determine. And all around him are would be usurpers. When the King gets into trouble, he turns to his glorious past to rescue him. And it has - so far. What is unclear is how the King can work with another

Prince, or with another King in the neighbourhood. Finally, the King is the prime target for any usurper.

4.4 THE ORGANIZATIONAL STORY IN BRIEF – THE "ONE PAGER"

4.4.1 Introduction

Once the logline and the characters have been established, the next step in developing a comprehensive story is creating what is commonly known in the film and television industry as the one pager. The one pager is a summary of the story.

4.4.2 Metro One Pager

Metro's story is to be the best performing food retailer in Canada.

We took a large step in 2006, by acquiring A&P, effectively doubling the size of our company overnight. We are still the third largest food retailer in Canada, behind Sobeys. Despite this, we remain heavily concentrated in the Ontario and Quebec regions.

With this acquisition, we nationalized our procurement, leveraging our size.

We moved to consolidate our private labels under 2 distinct names, Irresistible and Selection. Irresistible launched in 2007, while Selection launched in 2008.

Our stores are either "Traditional" grocery formats, with a boutique feel aimed at helping customers 'discover' new products, or the store is a Discount banner, where selection and the level of customer service are reduced in order to push down operating costs.

Banner consolidation has continued at an aggressive pace, our primary focus. Now, most traditional banners are under the "Metro" name.

Now our focus is on our customer loyalty program and improving customer purchasing data. Future growth prospects are unclear, as well as gaining a major foothold in markets outside Ontario or Quebec.

4.4.3 Sobeys One Pager

We are and will continue to be a leading progressive food retailer providing excellent service, quality and value to our customers through dedicated people while aggressively developing new markets.

In 2007, Empire acquired the remaining 28% of Sobeys, effectively taking us private. We wanted to focus more on specific synergies between our businesses, which consisted of distribution and retail. These are our core businesses. What we are good at. We wanted to be “best in food.” This was as much about what we didn’t want to be best in as what we did want to be best in. We continued to develop our control brand, Compliments, which we introduced in 2005. We also acquired Thrifty Foods, giving us a strong west coast presence, and making us effectively ‘national’.

What synergies came to mean to us is a focus on “food anchored” shopping plaza formats in Ontario and the Atlantic – our traditional strongholds. This allowed us to focus on food, but reap some of the benefits of grocery driven traffic for non-food goods, which we capitalized on in the form of leases from smaller retailers in the plazas. We also began heavy capital investment in automated distribution centers, in an effort to drive down long term operating costs. This was key, as price competition stiffened into 2008 and 2009 with the growing presence of low cost grocery retailers and the economic downturn. We didn’t want to drop the quality of the food, so we had to drop the cost of providing the same quality of food. This would allow us to remain competitive price wise, but continue our value offering.

This focus on food carries through everything that we do, and will continue to serve us in the future.

Our focus turned more towards reducing operating costs in 2009-2010 with the opening of automated distribution centers, including automated drug store distribution. These are significant sunk costs, but our hope is that investment now will continue to reduce operating costs, which will allow us to offer higher quality food at comparable prices. This is the reason for the modernization of our retail and distribution networks.

Compliments continues to evolve, including a 3-tiered, Value, Selection and Sensations strategy, as well as a children’s line partnership with Disney.

Finally, we have historically been a “local” retailer, who moved onto the national stage. To that end, we have set up regional management teams with decision power. We were local, went national, and then had to learn how to be a “localized national” player. This has been done through advanced IT.

4.4.4 Wal-Mart One Pager

We save people money so they can live better.

We’ve expanded rapidly internationally over the last several years, and now our international division makes up 25% of all sales. This expansion has been mixed between mature markets like Canada and England, and emerging markets like China and India.

The strategic intent behind international expansion is focused portfolio execution and global leverage. So local market share and penetration isn’t the exclusive indicator of success. Most of our product development efforts were largely geared towards using key suppliers to develop exclusive products for us. But now, we are getting into the private label game, leveraging private labels that have been successful in specific national markets that we feel could be valuable globally.

Now, we are growing more organically. Last year was our lowest level of sales growth in a long time, only 1% increase. Also, we have exited certain markets like Germany and South Korea, but surrender is rare.

4.4.5 Loblaw One Pager

We want to be Canada’s best food, health and home retailer by exceeding customer expectations through innovative products at great prices.

For the last few years, we focused mainly inward, on rebuilding our kingdom. Before, seven, eight years ago, we thought we were strong, maybe invincible. We had skirmishes with Sobeys, but they mainly stayed in their own area, and we stayed in ours. Then Metro grew rapidly. Two is a party, but three is a crowd. At the same time, Wal-Mart entered Canada. We reacted quickly; or rather we over-reacted, slashing prices without a clear strategy and without a clear value proposition for our customers.

We hadn’t invested in infrastructure for years. Now, we are rebuilding. In fact, we are now almost done. We are still scared, but not afraid. Sometimes we get caught up in the competitive landscape, and then realize that we are still on top; we still overwhelmingly rule the country. We have significant market share, the strongest control brands, and the largest apparel offering.

Now, we have a duel focus of hard discount and traditional retail store offerings. This is in line with our mixed strategy position.

4.4.6 Canadian Mass Grocery Retail One Pager

The mass grocery retail industry has seen consolidation, as well as fragmentation and a proliferation of smaller competitors at the urban channel as well as in the growing ethnic market.

The industry has a tendency to move slowly. Anything close to a 1% market share shift within a 6-month period of time would be considered rapid and significant.

Market disruption has mainly come in the form of entrance by Wal-Mart International, which has invested significant resources in its Canadian Supercenter format. This aggressive entrance has yielded small but steady market share growth. Despite this growth, the other Big 4 still maintain relatively consistent market share. This would indicate that Wal-Mart is consolidating the industry increasingly within the hands of a few firms.

Canada's concentrated population and high standards of living make it an attractive target, despite fierce competition, and other global grocery retailers that may follow Wal-Mart's lead in the near future.

Customers are fairly diverse, and there is a wide array of distinct ethnic groups. Retailers both in apparel, general merchandise, and pharmacy are increasingly looking to grocery food offerings to drive traffic.

4.5 THE NARRATIVE "BEAT SHEET"

The next step in story development is to consider the major "plot points" or "beats" of an organization's story to date, and then consider future premises in which the organization might engage in either intentionally or unintentionally.

There is a common expression in some writing circles, where a writer who is having trouble with the structure of the story will indicate that he or she is "going to get out the old clothesline." What this means is that they (often literally) will summarize each scene (or unit of action) on a sheet of paper or recipe card, hang each scene up on a clothesline, step back, and study the flow of the scenes. They will then begin to move scenes around, adjust the sequencing. Often, there will be holes in the story, important scenes that are currently missing or "one beat too many" (where a scene is redundant or does not move the action of the story forward and hence needs to be removed).

What the writer is trying to do is see the story. The writer is trying to understand where the story is going, and what is the optimal path to the end of the story. The writer can see the beginning and the ending, and must decide how to get from one to the other. In this way, then, the act of storyboarding, or "clothes lining," is very much like a strategic plan.

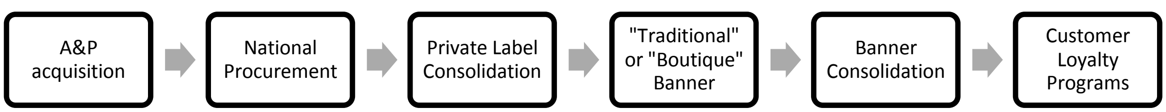
In most story development, the beat sheet, or a structured breakdown of the major plot points proceeds the one-pager. The one-pager focused on the over-arching story; the beat sheet is about imposing a sense of structure and linearity onto the broad story outlined. The intent is to emphasize certain narrative points, while at the same time deemphasizing other narrative points.

What is helpful to keep in mind is that most film and television stories have a pre-defined structure. Regardless of the story being told, there are a specific number of "acts" and an allowable number of scenes within each act. This pre-defined structure shapes the piece and, with television shows, keeps the story relatively consistent. The intent is that structure will inform on the story, and a change to structure tilts the narrative, and a different story emerges.

What follows is a beat sheet for each of the Big 4 players. The story is structured in a traditional, linear fashion. Choices are at times qualitative, taking the envisioned character of the firm as the primary indicator as to whether a plot point is justified in being included in the beat sheet or not. What is left out can be as important as what is kept in. Nevertheless, the act of making a decision will help frame the firm for the individual or organization trying to strategically place the story in context - not necessarily the proper context, but a context that is illustrative and colours the strategic story in an illuminating way.

4.5.1 Metro Beat Sheet

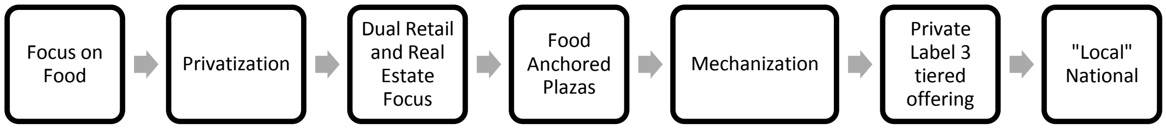
Figure 8 Metro Beat Sheet



The Metro story, with a very basic overview here, is about achieving scale and size, wrestling with that scale and size and bringing the organization back in line, and then looking back outward to the customer base and who that customer is. Metro could be said in this story to have looked outward first, and then turned inward where an internal story played out and, now that they have been relatively successful developing “themselves”, they are now turning back outward to the world.

4.5.2 Sobeys Beat Sheet

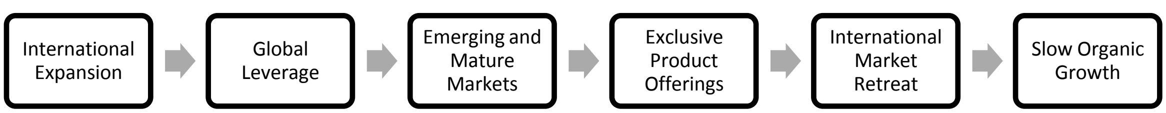
Figure 9 Sobeys Beat Sheet



Sobeys has also gone through a short period of internalization, due to being purchased outright by Empire. What has emerged is a dual focus on food and real estate – one is inextricably tied to the other. They have chosen not to focus on non-food directly, but to compete indirectly with the food anchored plazas. Mechanization has emerged as a tool to allow them to compete on cost. Finally, private label is a mixed strategy, with traditional, discount, and high-end offerings. They now look outward where they are increasingly a national player, but wish to continue to have a local flavour and a local identity.

4.5.3 Wal-Mart Beat Sheet

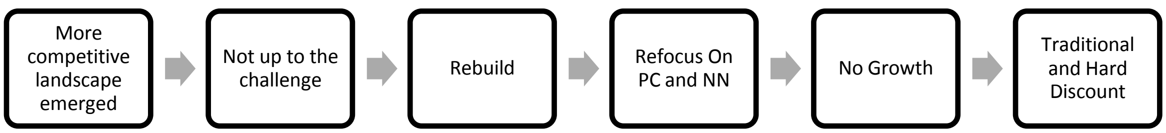
Figure 10 Wal-Mart Beat Sheet



The Wal-Mart story is more about stepping out into the world, about successes and failures, and about maintaining a larger vision to sustain them through moments of tribulation and indecision. Wal-Mart is not unstoppable, but having a clear vision is both inclusionary and exclusionary. When the situation requires them to wander outside their core competencies, there is a chance they will lose, or at least have to temporarily retreat. In the end, their current story is one of slow organic growth, specifically in Canada where food retailing has lower margins and tougher competition than the U.S., which is regional and fragmented. Likewise, Canada's potential for retail growth cannot compare with emerging markets like China, where Wal-Mart International has also invested heavily. However, the organizational story is one of rapid growth and restlessness. If they do not grow rapidly somewhere, they will become more aggressive.

4.5.4 Loblaw Beat Sheet

Figure 11 Loblaw Beat Sheet



Loblaw's story continues to revolve around being the dominant player in a mature and increasingly competitive environment. When threatened with attack, they found themselves unable to respond. Therefore, they turned inward and backwards to past glories, unlike Sobeys and Metro who had to absorb acquisitions and reconsider their value propositions. This period of reflection has triggered a refocus on private label and a dual focus on discount and traditional banners.

4.5.5 Beat Sheet Summary

Each firm, with a linear storyline, reveals certain recurring themes. All four organizations have recently experienced a period of "soul searching" in which internal decisions were made and changes executed. Loblaw, Sobeys and Metro are at the tail end of significant changes, and all are "re-emerging" with the belief that they are prepared to seriously compete, and win. Wal-Mart, though largely unchanged in focus, continues to experiment with fresh food offerings to augment food and non-food sales in an attempt to stimulate the rate of organic growth.

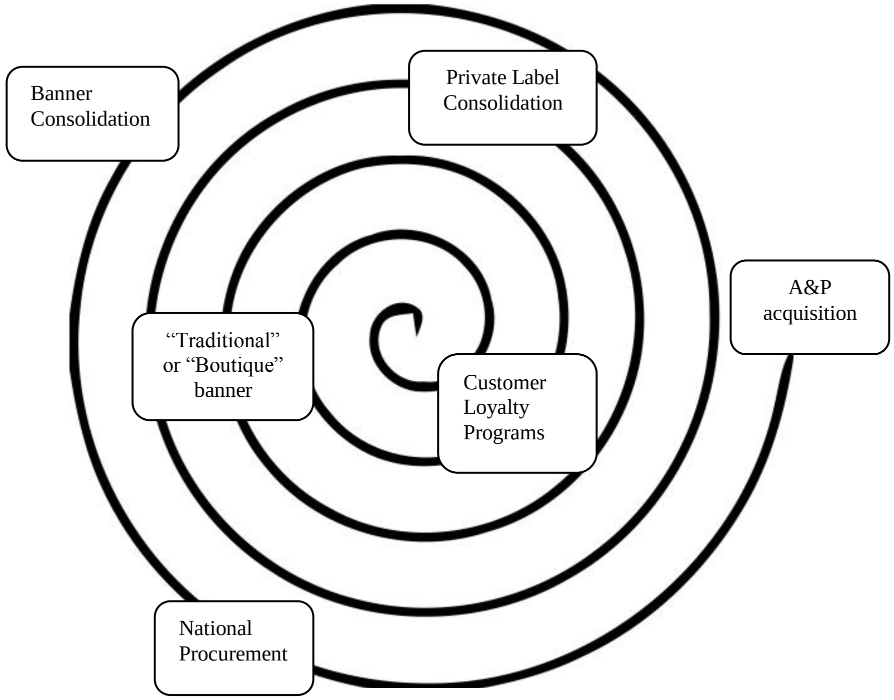
4.6 RESTRUCTURING THE ORGANIZATIONAL NARRATIVE

With each current story broadly drawn and beated out, focus now turns to the re-envisioning or non-linear iterations of the stories. The intent is to redraw the existing story along new and potentially illuminating lines. If strategy is in part about perspective and gaining new insight, then non-linear restructuring is heuristic in nature; it provides a relatively simple way to reshuffle competitor and focal firm's strategic moves and evaluate them. In dramaturgical terms, it is the process of taking the story and 'making it strange.' The term came from Brecht, who wished the theatre audience to be active instead of passive; critical instead of complimentary. "This effect of making the familiar strange serves a didactic function insofar as it teaches the viewer not to take the style and content for granted, since the medium itself is highly constructed and contingent upon many cultural and economic conditions." [72] The purpose of non-linear iterations is to take the accepted organizational story and strategic expectations and re-perceive them as constructs with a host of competing and ever-changing contingencies.

[72] Distancing Effect. (2011). Retrieved March 28, 2011 from: http://en.wikipedia.org/wiki /Distancing _effect

4.6.1 Metro Narrative Re-envisioned

Figure 12 Metro Narrative Re-envisioned



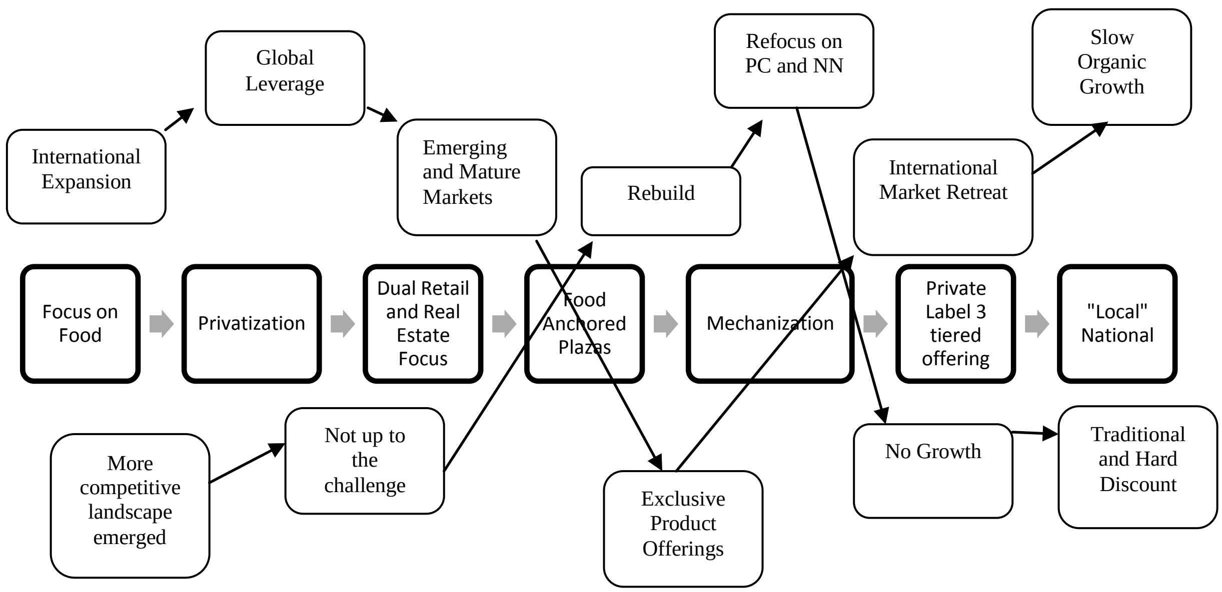
The Metro story, re-envisioned, provides a useful example of how we would generally perceive strategy. In the original beat sheet, Metro's moves appeared logical and progressive. However, in the circular narrative, Metro is always circling back in, learning from their mistakes, and learning how to be "big".

4.6.2 Loblaw, Sobeys and Wal-Mart Narrative Re-envisioned

The intertwined story structure provides an interesting, multi-firm story view. What is of particular interest is the choice of the 'through line' firm, the firm through which the other stories will weave. In imagining this storyline, two competing areas to consider are causality and randomness. Strategies, particularly in mature growth, capitally intense industries like grocery retail, are seldom formed in a reactionary way.

Instead, strategy is long-term, and only passingly causal in its generation. Therefore, where the organizational stories weave, or possibly intersect, can either be written off as random and of little importance, or interpreted as a potentially causal relationship.

Figure 13 Intertwined Narratives of Sobeys, Wal-Mart, and Loblaw

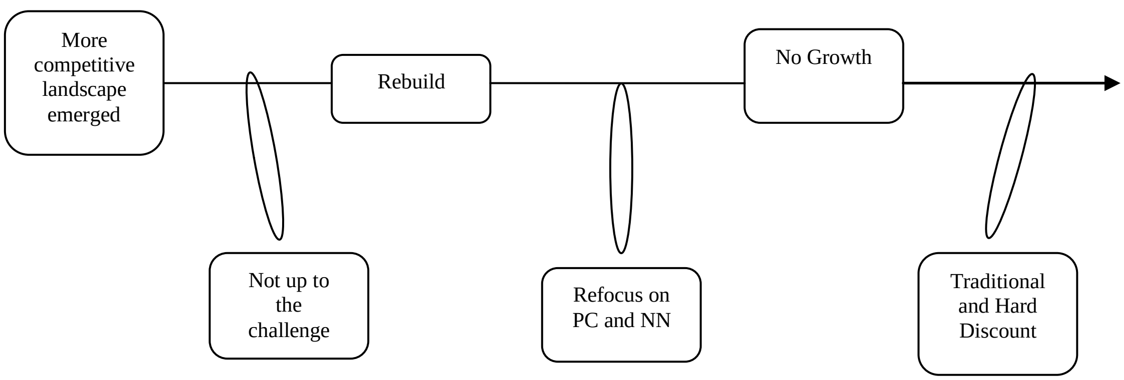


In analyzing this particular re-envisioning of interconnected storylines, the starting point of each firm is worth noting. Sobeys' focus on food emerges in approximate timelines as an international expansion by Wal-Mart and a more competitive landscape for Loblaw. Sobeys' decision is likely not causally linked to the activities of the other major players. On the other hand, strategic decisions made by Wal-Mart and Loblaw are, in all probability, more closely linked and relational to each other.

Sobeys undergoes a process of privatization by its parent company, Empire. Meanwhile, Wal-Mart embarks on a campaign to leverage global assets and Loblaw finds itself not up to the task of competing. Loblaw and Wal-Mart, both competing on low-cost platforms and experiencing slow growth, have responded distinctly: for Loblaw, the response is to reposition their banners; for Wal-Mart, further augmenting their core banner with fresh food in order to stimulate organic growth. Both responses, under this re-envisioning, have a causal relationship. Loblaw looks to compete more aggressively against Wal-Mart on the low-cost side of grocery retail, while retaining traditional consumers and the higher potential margins; Wal-Mart remains focused on their flagship banner and must augment store offerings to increase customer traffic and basket size.

4.6.3 Loblaw Re-envisioning

Figure 14 Loblaw Re-envisioning Through a Memory Narrative



In each memory node, Loblaw has experienced these same competitive concerns. It is an old story, one that Loblaw has seen before. The decision focus is whether to return to the past and set a strategic course that maps the historical story.

4.6.4 Re-envisioning Conclusion

All of this leads to the potential framing of the past and present causal relationships (or lack thereof) in strategic decisions and actions of the major players in the Canadian grocery retail industry. Typically, the goal would be to generate a cohesive strategic story around units of action, much like any well devised Hollywood story. But in re-envisioning the goal is to embrace anachronism as it appears in the organizational narrative. Bal organizes anachronisms, or "chronological deviations" from the narrative under the headings of "direction, distance, and span." Direction is where "the event presented in the anachrony lies either in the past or in the future." [73] Movement into the past is referred to as retroversion, while movement into the future is referred to as anticipation. "Distance" refers to the gap, or separation, between the anachronism and the central event. Finally, "span" refers simply to the amount of time that occurs within the anachronism.

Although beyond the scope of the current analysis, it should be noted that while linear narratives are more widespread and easier to conceptually understand, there are analytical tools for evaluating non-linear structures.

As the analysis turns towards the development of scenarios, anachronism and non-linear possibilities must be kept in mind. Logical and linear current organization narratives will likely produce logical and linear scenarios. But anachronistic futures with unpredictable influences constantly occur, meaning improbable outcomes arrived at through a series of improbable events is of equal or greater value in scenario planning, than that of its dutiful, linear iteration. With these possibilities established, the discussion now turns to the future.

[73] Bal, Mieke. (2009). *Narratology.* 3rd Edition. Toronto, ON: University of Toronto Press.

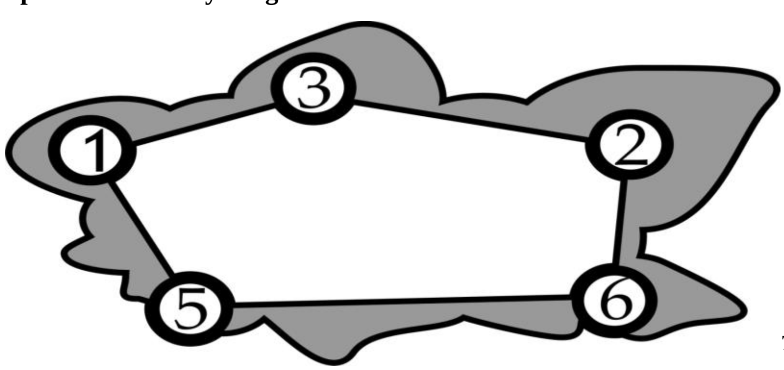
5: SCENARIO DEVELOPMENT

5.1 INTRODUCTION

The purpose and usefulness of scenario development and planning lies not in the probability of occurrence, but in the range of extreme outcomes considered, and to the potential impacts of the outcomes on the fulcrum firm, the industry landscape, and any other externalities effected. The purpose comes from analyzing the utility of potential decisions.

Ralston and Wilson suggest the mapping out of an "envelope of uncertainty" into which scenarios are superimposed. The goal is to generally map the dimensions of the unknown, and define the scope of potential scenario selections within this unknown arena.

Figure 15 Envelope of Uncertainty Diagram



[74]

[74] Ralston, Bill, and Wilson, Ian. (2006). *The Scenario Planning Handbook.* Mason, Ohio: Thomson South-Western.

The goal of scenario planning, then, is to cover as much hypothetical ground as possible, as opposed to restricting the conversation to that which is deemed by a particular group to be “probable”.

5.2 MICRO SCENARIOS

Jacobines suggests that detailed, in depth scenario planning is far too ponderous and slow to capture the current operating landscape that the majority of firms find themselves in today.[75] The narrative dynamics of strategy create an inherent interconnectedness between evolving industry dynamics, be they environmental, competitor, supplier, or customer driven.

Scenarios tend to make sweeping, and often long-term, statements about what the future might hold. But if the future is in a perpetual state of flux, how can it be pinned down in advance? One possible answer is to introduce dynamic micro scenarios into the equation.

Potential micro scenarios for mass grocery retail would include:

Table 24 Micro Scenario Brainstorming

Banner consolidation	New global player entry in Canadian market	100 mile sensitivity widespread
Banner diversification	Major player market exit	Increased demand for selection/choice (tyranny of choice)
Hypermarket expansion	Major player acquisition	The Long Tail phenomenon
Hypermarket contraction	Rebuilding supply chain	Health and Beauty emphasis
Urban market entry –	Rebuilding IT	Aging boomers

[75] Jacobines, Michael. (2010). *Strategy Tools for a Shifting Landscape.* Boston, MA: HBR, January-February.

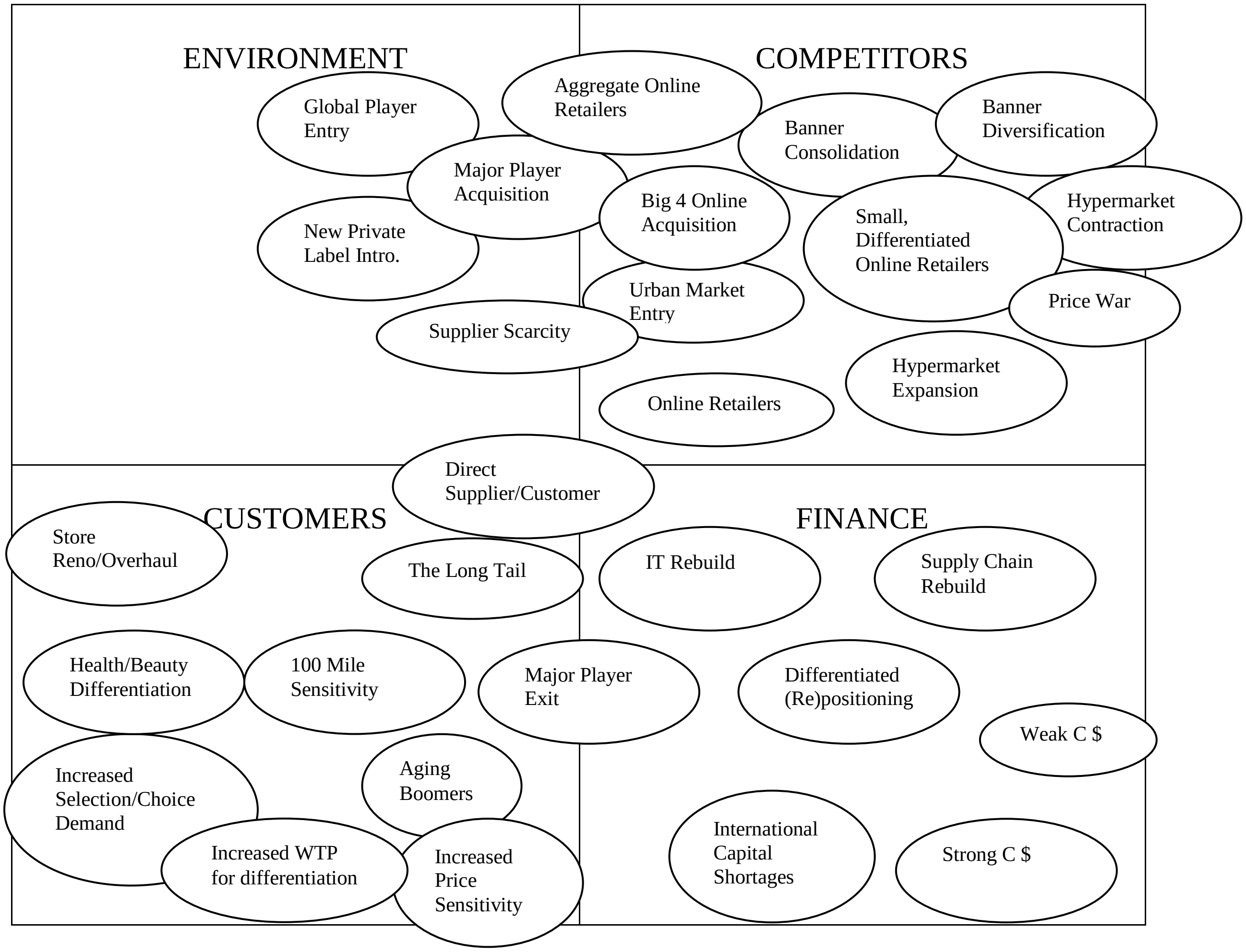
existing banner		
Urban market entry – new banner	Rebuilding stores (Reno's)	Ethnic food demand
New private label introduction	Differentiated hypermarket entrant (no mixed or cost leadership position)	Online retailers
Small, specialized online retailers	Large, aggregate online retailers	Supplier direct to customer online sales
Acquisition of online retailer by Big 4	Acquisition of online retailer by other indirect competitor	C$ grows much stronger
C$ decreases	Fiercening of price wars	International Capital Shortages
Increased consumer price sensitivity	Increased consumer WTP for differentiation	

The standard practice in scenario building is to use an affinity diagram to organize micro scenarios (more traditional scenario planning would use the term "axis") into key content headings such as "Customer" or "Environment". The affinity diagram is a conceptual, organizational tool. Once micro scenarios are organized, the next step would involve the aggregation of each affinity category heading into a single driving force. The force would then become the basis of a future scenario.

However, by maintaining micro scenario purity, the dynamic nature of the industry can be more readily captured. The affinity diagram is used simply to create some sort of order and general categorization, not to squeeze potentially key driving forces into one larger force. The intent is to allow the complex flow of influencers on competitors and the operating environment to remain just that: complex, but manageable.

5.2.1 Micro Scenario Affinity Diagram

Table 25 Micro Scenario Affinity Diagram



5.2.2 Qualifiers

Added to this series of proposed micro scenarios are simple “qualifiers”.

5.2.2.1 Competitor Qualifiers

Micro scenario clusters can be augmented by specifying either the specific competitor by name (Wal-Mart, Shoppers) or by simply enlisting a specific competitor category: Direct, Indirect, Potential, etc.

5.2.2.2 Category Qualifiers

Individual categories as well can be used, to provide a specific business unit focus on the micro scenario cluster forming. For example, a "direct customer/supplier" online retailer could emerge specifically for seafood products. The seafood BU at all major retailers would then have to form a response, or choose not to respond, to this niche retailer eroding seafood sales.

5.2.2.3 Financial Qualifiers

Though key financial driving forces were considered in the affinity diagram, more specific qualifiers can be added. If, for example, days on hand inventory is remarkably low, and the firm is still struggling with cash flow despite efficiently handling inventory, then this could play a factor in future capital investments or acquisitions.

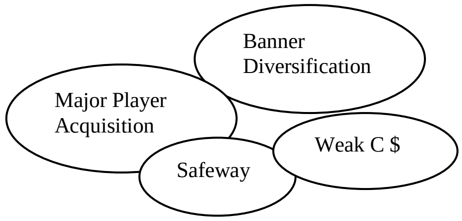
5.2.2.4 Customer Qualifiers

Emergent segmentation groupings and key customer demographics and evolving trends can be introduced into any pre-existing cluster in an effort to understand how this qualifier impacts the strategic scenario story.

5.3 CLUSTERING CONNECTION

Critical to the clustering processes is to understand the dynamic connectivity of the clusters and the micro scenarios within the clusters. The cluster by design is meant to avoid preconceptions around cause and effect, and any causal intentionality of micro scenarios. There are two perspectives in which to view clustering through: sequential and non-sequential.

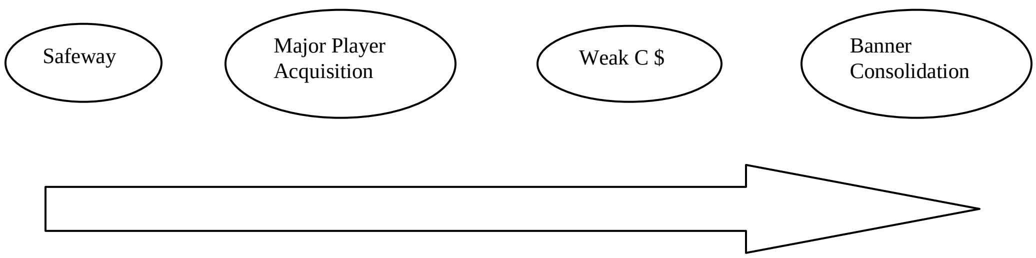
Figure 16 Clustering



5.3.1 Sequential

From this perspective, the clusters form an inherent narrative. There is a limited and interchangeable cause and effect among the variables. For example:

Figure 17 Sequential Clustering



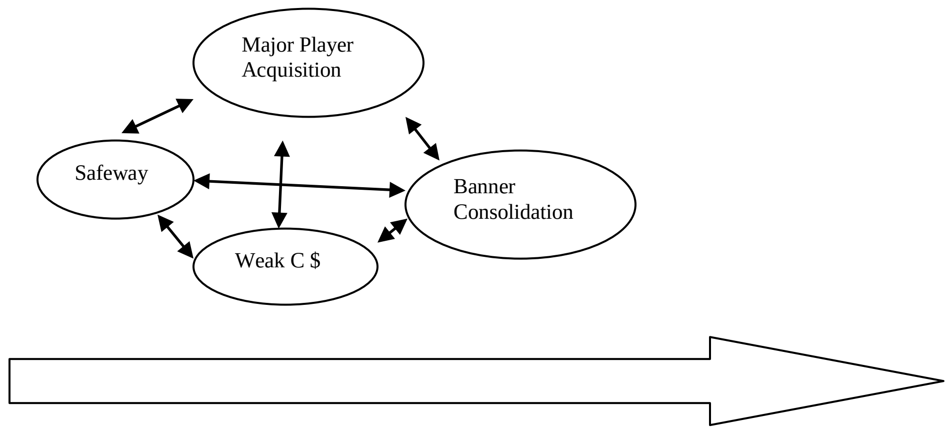
Here, Safeway acquires another major player, say Sobeys. The weak Canadian dollar reduces margins and consumer appetite for imported goods. This negatively impacts the bottom line on non-food categories, which are a key factor in hypermarket profitability. Safeway makes the strategic decision to diversify its banners, including its own flagship banner and the numerous banners under Sobeys that it has acquired.

The narrative follows one step at a time, a narrative path, where each unit of action is 'met,' resolved, and then the story moves on.

5.3.2 Non Sequential

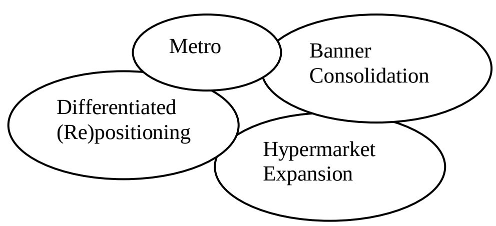
In the non sequential narrative, the clusters co-mingle and continue to coexist continually. The cluster progresses through the narrative as a functioning, interdependent, unit.

Figure 18 Non Sequential Clustering



5.3.2.1 Example 1: Metro Hypermarket Manoeuvring

Figure 19 Metro Hypermarket Manoeuvring

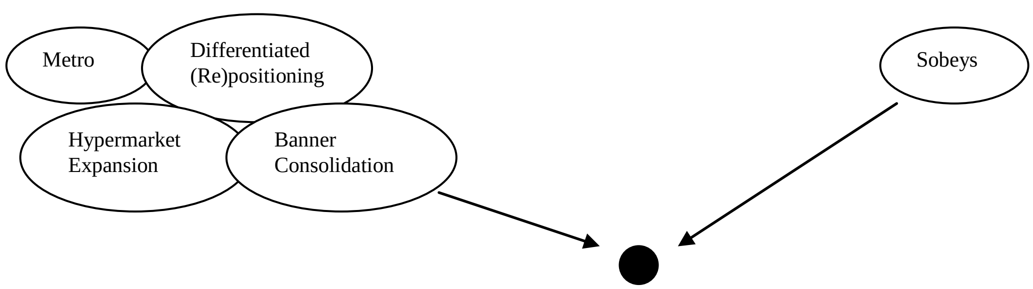


In this scenario, Metro is consolidating banners, repositioning with a differentiation strategy, while grappling with the ongoing hypermarket expansion occurring in the industry. Metro could find itself in an operating environment where customers increasingly move to the hypermarket platforms. At the same time, they could be consolidating banners, but physical asset constraints mean that they are consolidating under a traditional grocery banner, which they attempt to leverage with a differentiation strategy because they are unable to compete directly on cost. Quite simply, they do not have the physical real estate to expand their current locations into hypermarkets.

So… what do they do?

One potential answer would be to reshuffle this clustered scenario into a non-linear format, such as the converging narrative. Sobeys is added to the cluster, and now the story becomes Metro responding to hypermarket threats and banner consolidation by converging on a similar strategy as Sobeys.

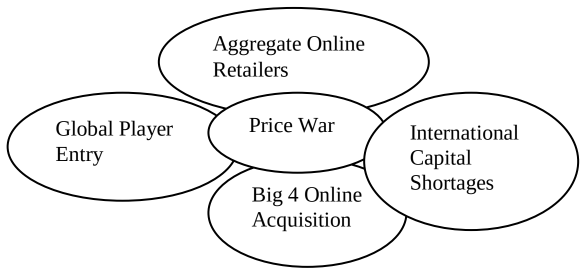
Figure 20 Metro Hypermarket Manoeuvring as Convergence Narrative



Metro's response, then, is to begin buying up surrounding real estate assets to its stores, not to tear down and rebuild hypermarkets, but to strategically lease to complementary proprietors in an attempt to leverage food driven traffic. They could also ensure that they are leasing to proprietors desired or preferred by their customers, as well as specific customer segments that Metro wishes to, and believes they can, acquire. They could also then lease to health care clinics and beauty salons, and other complimentary service providers.

5.3.2.2 Example 2: Online Potential

Figure 21 Online Potential Cluster



It is worth reiterating the importance of causal relationships, and the purpose of clustering to limit the preconceptions that can emerge in scenario exercises. In this cluster, multiple potential storylines emerge.

Figure 22 Online Potential Linear Iteration #1

Price wars are already well under way when a global player chooses to enter the market. One of the Big 4 responds by acquiring an online player to strengthen its presence and diversify its ability to compete with the new threat. This sparks online consolidation, and/or partnership, by pure players in the online grocery retail industry. All of this occurs just as access to capital dries up, making further manoeuvring difficult.

Figure 23 Online Potential Linear Iteration #2

Another iteration of this scenario is that the global player enters first. With online retailing more advanced and prevalent in international operating environments, online retailers are the first responders to the new entry threat, and begin consolidating and partnering in anticipation. International capital dries up, which, coupled with the entry of the new global threat, triggers a price war as all players want to ‘wring’ each other; each knows that access to more capital will be just as hard. This is more of a classical game theory outcome. Finally, intense price wars spur one of the Big 4, one who has relatively easy access to capital, to acquire an online player to ward off future threats and to attack competitors through a non-traditional channel.

5.3.3 Clustering Conclusion

There are numerous iterations, and narrative structures, on which to hang these micro scenarios. The intent, and purpose, is to engage with potential scenarios in a dynamic and heuristic way. Some iterations will yield interesting outcomes and perspectives. Many will yield nothing.

5.4 DECISION FOCUS

Using both the current stories of each of the Big 4, as well as clustering scenario considerations, analysis turns to specific decision focuses. What are the reoccurring issues that emerge from heuristic micro scenario development? The detailed analysis demonstrated in the previous sections, both classical and narrative, have helped to define what the decision focus questions should be.

Four key pieces of information should be included in the selected decision focuses:

1. A general description of the decision that must be made
2. A statement that defines scope, including functions, geographies, and effected business units
3. Itemization of what is not included in the decision focus
4. General timelines for the benefits and costs to be realized [76]

For the fulcrum firm, Loblaw, the following decision focus questions are critical:

5.4.1 Decision Focus 1

The decision is what should be the strategic interaction with the other major and minor players in the Canadian mass grocery retail industry with the steady expansion of Wal-Mart? How should this interaction take place over the next 2-5 years? The decision should consider the likely disappearance of current key players, and the strengthening – but limited – positioning of small, niche players who will carve out footholds in the landscape. Scope is corporate, with particular impacts to the business units of Loblaw.

5.4.2 Decision Focus 2

The decision focus is how will Loblaw operate with Wal-Mart as a comprobable market share holder in the Canadian mass grocery retail industry in 5 – 10 years time? With no other competitor making up more than 2.5% of market share, and Loblaw and Wal-Mart each sharing somewhere in the range of 30%, how will the rules of engagement change and how will they stay the same? In which areas will the two firms choose to directly compete, and where will there be implicit collusion? Can there be a

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[76] Ralston, Bill, and Wilson, Ian. (2006). *The Scenario Planning Handbook.* Mason, Ohio: Thomson South-Western.

coexistence in which both firms can grow at acceptable rates and reap acceptable returns year over year? How will each firm respond to the threat of new entrants into the market? And will certain forces, such as government and antitrust, come to play a more prominent role in a duopolistic environment?

5.4.3 Decision Focus 3

The decision focus is how should Loblaw act/react to the growing likelihood of an online grocery retail presence impacting margins and changing the 'rules of engagement'? Under what circumstances and following which rules would customers begin to migrate to an online channel? Key threats can emerge in the low barriers to entry of smaller start-ups, as well as international players that have hitherto stepped clear of the competitive Canadian market. Evolving customer preferences and the potential for suppliers to increase direct customer relations also increase the attractiveness of online retailing - in effect, cutting out the middle man. Finally, faced with similar decisions, how will competitors choose to strategically use the online option?

5.4.4 Decision Focus 4

Which supply chain issues will emerge over the next 10 years that will have a direct impact on procurement practices? Will these impacts be driven by global crisis, weather, escalating fuel costs, or by increased consumer demand for local products? How should Loblaw respond, especially considering the likelihood of an inconsistent and varied impact on business units? For example, dry grocery and dairy might remain largely unaffected, but produce and apparel – both often sourced globally – will be seriously impacted. Are there risks of 'channel captains' emerging in the industry? How will Loblaw’s place as a Canadian specific firm be effected by these channel captains? How will competitors respond?

6: SCENARIOS

6.1 SCENARIO #1 "THE EMERGENCE OF ONLINE RETAIL: THE TYRANNY OF CHOICE AND THE RISE OF THE SUPPLIER"

6.1.1 Description Overview

Online retailing has become a powerful sales tool. It has seriously disrupted traditional sales in books and other products. Online grocery business models have been adopted. Online groceries are purchased regularly in densely populated countries such as England, where Tesco has operated online since 1994. The United States also has a well developed delivery network and some online firms, Amazon and Wal-Mart included, have a grocery offering on select categories in select regions.

6.1.2 Possible Outcomes Over the Next Five Years?

- Convenience channels will move towards a series of mixed online and physical store options to augment their value proposition.
- Convenience channel firms will take the "convenience" competency to a new level.
- Some formats will offer an "order online, pick up in person," component, leveraging market penetration and significant convenience store presence in most major Canadian markets. This will allow them to increase sales without adding significant SKU additions in the small physical store locations. The physical

stores will still be stocked with impulse items, which customers will be able to pick up and add to their grocery order.

- Many busy customers, especially those with young families, will appreciate the value proposition. They will be able to shop online for groceries, but will not have to face the same fees as those who order groceries delivered direct to customers' homes.
- Consumer preferences will expand exponentially, making one-stop shopping more and more operationally expensive.
- Customers will increasingly move to 'life-style' banners – banners that offer a wide selection in the specific lifestyle category that they identify with – the focused offering will prove profitable.
- American online retailers will look for limited "opportunities" to cross borders in specific cities close to the border.
- Any major grocery retailer on the verge of collapse will aggressively pursue the online market in an attempt to survive, disrupting the industry.

6.1.3 What Other Forces Influence Online Retailing?

- Population density
- Consumer preferences and desire for product choices
- Customer willingness to pay for delivery
- Critical mass for free delivery
- Refined service processes in convenience channels (optimized flow through of customers increasing convenience appeal)

6.1.4 What Other Forces are Influenced by Online Retailing?

- Grocery retailer's choice whether to operate online as stand-alone model, or to augment in store offering and leverage physical assets (such as stores and distribution centers)
- Price point decisions at traditional retail stores
- Wider complimentary goods selection expectations by customers who will shop both online and in store

6.1.5 Potential Responses from Characters?

- Sobeys: The Old Man on a Mission will see this as an opportunity to leverage some of the expertise he has gained in mechanization. As well, his desire to be as up close and personal with customers, which can be achieved through an online model in new and innovative ways. His concern will be a prevalence of non-food offerings on these types of web sites, something he does not usually offer. He will have problems providing the lifestyle around the food.

- Wal-Mart: The Barbarian will see this as an opportunity to gain further market share and lure away customers from other retailers. If he chooses to invade the online market, he will push hard, with plenty of promotions and steep discounts on general merchandise items. Food will be the intended focus, but likely not where he executes well. Deep pockets will allow him to fight longer and harder than most. The Barbarian also has the advantage of utilizing resources south of the border, where critical population density is far more prevalent. Finally, The Barbarian is the most capable of keeping large vendors in check.

- Metro: The Little Big Guy will see this as an opportunity to take his vision of 'best in food' to a new level. His serious physical capacity constraints in central Canada will be lifted and he will be free to move about in a way he previously could not. He will build on his stronghold in central Canada, instead of wandering too far afield. Mature and convenient locations will allow him to experiment with a mixed, pick up model.
- Loblaw: The Paranoid King will see this as a threat to his market share leadership position. He will face stiff competition in the populace regions, where online retail makes the most economic sense, while he is also the most exposed to having customers in outlying provinces (Alberta, BC) demanding similar services offered in central Canada. The Paranoid King will look to leverage his control brands, but will fear negative exposure could weaken the brand name. He will enter late and reluctantly but, with the expenditure of significant resources, could catch up to the others.

6.1.6 Scenario

Online grocery retailing will be an emergent market and a disruptive business model that must eventually be dealt with. The key reasons for this go well beyond simply competing with new or incumbent firms. Rather, the online market presents a fundamentally new channel opportunity. Unlike emergent grocery retail channels in the recent past, this opportunity will require fairly minor initial capital investment, which would traditionally act as a barrier to entry. Increased consumer demand for a wider variety of products beyond what is possible to maintain in inventory in a traditional, physical grocery chain is one reason. Another will be the potential for suppliers to create direct customer relationships, with the ability to sell and communicate directly, bypassing the traditional stronghold held by the grocery retailer. Finally, category focused online retailers will continue to become more popular as a specific product or category focus, combined with volume sales, make them a viable option.

The continued focus and aggressive growth strategies of major retailers and their private label, or control offerings, will trigger a vendor backlash. Large suppliers, such as Kraft and Procter & Gamble, will look to channel options, a way to bypass traditional grocery retailers, in order to drive up their own margins.

Online retail will also be viewed as a key to drawing loyal physical store customers away from competitors. Often, customers are loyal due to physical geographic convenience as well as familiarity. Customers entering new stores often cannot readily find what they are looking for. Online offerings eliminate both of these barriers to customer acquisitions. [77] Online is not necessarily geographically dependent and online search tools streamline the process – in effect, customers do not need to track down a sales associate to ask where a particular item is. There is still a barrier to consumer adoption in the form of the online learning curve, but as young, tech savvy consumers grow up, the learning curve will flatten and the barrier will diminish.

Because of this ease of searching and fewer geographic constraints from a customer perspective, this particular channel could prove to be the initial entry point for international retailers who already have significant competencies in online grocery retailing, especially Tesco. Online could be the first phase of an aggressive growth

[77] Ma, Yan, and Ding, Jianxun. (2010). *Delivering Customer Value Based on Service Process: The Example of Tesco.com.* Toronto, ON: International Business Research, Vol. 3, Issue 2. April 2010.

strategy and those traditional retailers who are not prepared to compete in the online channel will find their market share eroded.

Consumers will continue to demand ever increasing product offerings, driving up operating costs and pinching margins. This will drive more consumers to seek specific products online. Once online, significant product offerings will make the value proposition of traditional grocery chains less tenable. More consumers will migrate online for the majority of their shopping. They will compliment their online shopping with quick buys (milk, some apples). This will drive more traffic at convenience format stores, as consumers who already value their time enough to buy online will avoid hypermarkets.

Increased pressure from Wal-Mart will push one of the major grocery retailers in Canada to the brink. In a last ditch attempt, the retailer will launch an aggressive online campaign to lure customers back. Although ultimately unsuccessful, the death throes of this retailer will disrupt the industry and force other retailers waiting on the sidelines to get involved. Significant capital will be invested before the troubled retailer eventually declares bankruptcy or is acquired, and in the end all retailers will remain with an online presence, whether they really wanted one or not.

6.1.7 Potential Responses

For traditional mass grocery retailers, there are four basic strategies they can pursue:

1. Do nothing, try and control costs, and hope that other retailers will fight to the death and a customer base loyal to physical stores will provide decent returns.

2. Acquire an upstart firm that has promise and demonstrates core competencies in online grocery retail.
3. Create a stand-alone online business model that will operate independently of the traditional banner offerings.
4. Offer an online component to the traditional offering to augment and compliment physical store offerings.

The expression holds true that sometimes doing nothing is the best strategy. For grocery retailers to remain on the sidelines could be a viable option, particularly if they feel they can buy into the market at any time by acquiring a smaller player with appropriate competencies and value propositions.

The real risk is the potential for rapid adoption rates. Mass grocery retailers have a tendency to make decisions with large bureaucracies and to move slowly. In grocery retail, concept-to-implementation for a new idea will often take years; online commerce can brainstorm, implement, succeed, and face imitators in a matter of days or weeks, depending on whether or not the proper systems are in place. For the grocery industry, speed to market is reliant on how heavily the grocery retailer chooses to (and is able) to leverage existing operations. If the decision is to stay away from online grocery retailing, the firm in question must have an industry monitoring process in place, as well as a rapid action plan approved by senior management. If action does become necessary, there may only be a small window of opportunity before the firm is playing catch up.

Quite often, where a new business model falls far enough beyond the scope and core competencies of an organization, the decision is made to set up a stand-alone model in which a new organization is allowed to work relatively free of its corporate master's oversight. This form of market entry could be particularly effective for an online model, in which decisions will often need to be made rapidly, and the early adopters will likely have a very different customer profile than traditional grocery shoppers. It will be necessary to capture these early adopters in order to cultivate a wider market in the future. Questions still need to be answered around how closely to affiliate the online brand with the corporate brand. Do you offer the same private label products? No private label? Or do you develop a new exclusive line of products? The concern is that the customer will be confused by the value proposition. It is the "same" but different.

Creating a wholly separate stand-alone with no connection to retail or operations means that the company is starting from scratch. They need to cultivate a customer base without utilizing any readily identifiable markings of the corporate organization. This is the most entrepreneurial of the ideas, needing significant resources, and possibly time. Supply chain also is a concern, with cost increases as a result of lower volume sales when compared with traditional grocery retail sales volume.

Finally, an augmented offering would provide an online presence, but would also act in a synergistic relationship with the physical stores. Stores would provide advertising, possibly catalogues, and other store communications to customers making them aware of online offerings. Items not offered in store could be flagged as available online. Computer kiosks in the stores could let customers know which items are available through the retail website.

Technological augmentation is also a large possibility, especially in the age of smart phones. Customers could inspect a small lounge chair displayed in store, and then log onto their smart phones and order a large patio set, containing several of the lounge chairs.

Discount banners could reduce in store SKU offerings and bring down operating and inventory holding costs, while at the same time giving customers the option of placing online orders with expanded SKU offerings. Likewise, lifestyle channelling can more effectively be achieved by online offerings. Customer profiles and buy patterns can be analyzed and preferred products recommended. This has yielded significant results in the online book and movie industries. These customer preferences and patterns can be transferred over when customers choose to shop in store.

In response to a growing convenience threat, Loblaw could build substantially on its fairly limited gas offering. The Superstore Gas format could be leveraged, buying out existing gas chains in urban markets. This would then give Loblaw a key footing in the convenience format, adding to its portfolio and channel capabilities. But the main advantage would be in its ability to respond to sophisticated convenience threats, like the threat of online order and pick up delivery at small, convenient locations. As well, the potential customer traffic driven by this format offering would be unprecedented: grocery, gas and convenience.

Likewise, pick up delivery could also assist in building the regional critical mass necessary to deliver groceries direct to home at little or no cost. Additional 'discounts' could be provided to those who pick up at convenience locations.

6.2 SCENARIO # 2 "PRIME TIME THROWDOWN"

6.2.1 Description Overview

The already competitive Canadian grocery retail industry heats up. The Big 4 all go head to head, facing off both in the discount and traditional grocery channels. Prices are cut and increased services and incentives are introduced to attract customers. One of the Big 4 falls, and the others rush in to gather up the pieces, before another international player does. Each of the remaining three players must choose whether to continue to aggressively go head to head, back off, or exit the Canadian market.

6.2.2 Possible Outcomes Over the Next Five Years?

- One of the Big 4 falls
- Wal-Mart chooses to exit the market
- Major player sells out to Wal-Mart
- Major player sells out to another global retailer
- Two of the Big 4 falls, creating a duopoly
- Merger of two of the Big 4
- Merger of Big 4 players with regional players – market consolidation
- Global financing shortage as emerging markets suck up available capital

6.2.3 What Other Forces Influence Industry Shakedown?

- Profitability of food products
- Hypermarket adoption rate

- Smaller players' ability to compete in and maintain niche markets
- Consistency of decline among major players' margins/market share

6.2.4 What Other Forces are Influenced by Industry Shakedown?

- Prices and product offerings
- Customer responsiveness to increased focus on their needs and wants
- Increased pressure on suppliers and vendors

6.2.5 Potential Responses from Characters?

- Sobeys: The Old Man on a Mission will see this as a serious threat to profitability, but also an opportunity to play the price war in his own way: driving down costs with mechanization. This will also be an opportunity for him to test just how well he has cultivated his customer relationships. How much does he really know about his customer and how does he keep the customer from going elsewhere in a highly competitive market? If the Old Man is left standing after one of the Big 4 has fallen, he will move quietly for awhile.
- Wal-Mart: The Barbarian will see this as both an opportunity and a threat. An opportunity to fight in the open battle field, something he likes to do. But he is also aware that he is fighting deeply imbedded enemies on their own turf. The Barbarian knows he is the invading force, and that moving too aggressively will upset the locals. So he will need to assuage the locals' fears while relentlessly pursuing his enemies. The Barbarian also is painfully aware that he has lost a few

big battles of late. Though he wins more than he loses, he will be looking for signs of heavy losses, and will have a retreat plan if it becomes necessary.

- Metro: The Little Big Guy will see this as a signal to refocus efforts on central Canada. This is where the customers and the money really are. National expansion is nice, but he needs to keep his own backyard in order. Contraction is a possibility in the short term. If the battle starts to indirectly involve smaller, regional players in key markets controlled by The Little Big Guy, then he could have significant issues as he squares off against local players competing hard to defend their local turf. The Little Big Guy is big enough to beat them, but he doesn't need the distraction.

- Loblaw: The Paranoid King will see this as an opportunity to knock out a major competitor. When they are all chewing away at his kingdom, little pockets of revolt and acts of terrorism, they are harder to fight. But when all four come out to fight, the battle lines become clearer. His market penetration rates will allow him to leverage sales in ways that none of the others can. While Wal-Mart, Sobeys, and Metro will fight for more market share, The Paranoid King will focus on holding his own, holding the fort, and then picking up any pieces that he can.

6.2.6 Scenario

An all out war breaks out in the grocery retail industry in Canada.

It's triggered first by Wal-Mart losing its patience with slow organic growth. They are unable to acquire an appropriate competitor, so lash out at everyone. The rising aggressiveness of Wal-Mart brings the weakest of the Big 4 into a precarious financial and market share position. The weak player's last resort is a suicidal counter-attack, disrupting the industry further. Another global player, prior to the recent aggressive moves, had made the decision to enter the Canadian market. When they announce their entrance, the Big 4 scramble further to protect market share and to find new ways to grow.

Aggressive actions also have a detrimental effect on sales and growth for peripheral, potential competitors. Target and Shoppers introduce more core food items, as well as cutting prices and providing new offerings on their core goods. This further erodes margins for the Big 4 on traditionally high margin items like beauty and apparel categories.

Smaller competitors with any meaningful marginal market share get gobbled up. Regional players like Co-op in the East see their market share declining rapidly, and choose to sell out. Even smaller urban markets are the targets of acquisition, as the Big 4 desperately search for profits.

Players will turn to each other for potential alliances, where government regulation may allow it. Metro in particular, because of its history, looks for partners and forming protective relationships of one sort or another. Sobeys and Loblaw are both family run, making it unlikely they would merge with anyone else as equals. Wal-Mart could partner, but it would be an uncomfortable alliance for the other player.

Ultimately, Metro is the first to go under, either through failed alliance, selling out, or through bankruptcy sale. The other players move in before another international player can buy up the pieces. Some pieces of Metro are sold off to other players. Some of it likely makes its way into the hands of an international player. Despite the international entry, their presence remains small and unsure for several years.

In the meantime, the Big 3 must either take a step back, or aggressively continue the battle. All will be war-weary by now, and all will have weak financial statements.

6.2.7 Potential Responses

One of the key factors to responsiveness centers on the consistency of decline. There is the possibility of merger between relatively equal players if market share decline is evenly distributed. An imbalance of decline, though, is more likely to lead to acquisitions. Acquisitions by most of the major players would result in the splintering of banners (due to anti-trust). Of the Big 4 Wal-Mart is currently the only player that could likely make a major acquisition without antitrust impacts.

A key response is diversity of channel offerings. Those firms which offer multiple channels to sell groceries, and are able to do so while maximizing operational efficiency, will benefit from agile movement and coordinated price points both regionally and among banners, maximizing meagre profits.

Customer loyalty programs will also become increasingly important in this outcome. Those firms that are able to anticipate and offer products and services that customers want (and able to offer it before the others) will enjoy incremental increased margins, before the other players rapidly follow suit. But these small sales boosts will add up and help with fighting the battle.

Global capital constraints will also reduce projects in the capitally intense mass grocery retail industry. A response to these constraints is having a lower debt burden than industry standard, but also having the operational ability to reduce days on hand inventory. The firm(s) that are able to partner most efficiently with vendors and suppliers, and flow goods into their stores most efficiently, will free up increasingly valuable capital, which can be leveraged in an environment where debt obligations will erode margins.

Continued aggressiveness after one of the Big 4 falls is dependent on both the financial health of at least 2 of the 3 remaining organizations, as well as perceived profitability in the new market environment. For Loblaw, as well as Wal-Mart and Sobeys, the question becomes would a duopoly ultimately strengthen or weaken the firm's prospects? There exists the possibility for all three remaining firms to have market share in excess of 15%. There is a likelihood that both sides would benefit from an implicit understanding with relatively equal market share.

If the answers to these are positive, the next question becomes the financial stability of Sobeys. If Loblaw, Sobeys, and Wal-Mart arrive at the conclusion that "two is a party, but three is a crowd" they may continue an aggressive campaign, knowing that the two remaining firms at the end will benefit from a profitable duopoly.

6.2.8 Final Note on Scenario

A more detailed scenario could be developed, using the narrative storylines and characters developed in the previous sections, and considering the hypercompetitive paradigm outlined by Fiegenbaum, Thomas, and Tang. "The four dimensions are identified as cost/quality, know-how/timing, stronghold creation/invasion and deep pockets."[78] Likewise, narrative analysis would be ideally suited for consideration of the strategic components and the seven S's, most notably simultaneous and sequential moves.

6.3 SCENARIO # 3 "THE ZERO MILE DIET"

6.3.1 Description Overview

At the same time as the supply chain expands and spans the globe, customers are demanding more local product. These customers are commonly referred to as "Locavores". The 'buy local' is not so much motivated by supporting the local economy, as much as seen as a way to access fresher and therefore healthier food, with a reduced carbon footprint. Rising fuel prices also make this option increasingly attractive, and cost competitive. Global concerns over food shortages also will increase the focus on buying local.

6.3.2 Possible Outcomes Over the Next Five Years?

- Increased demand for local products drives up prices and creates inconsistent supply in different regions across Canada, creating fluctuating prices that frustrate customers.

[78] Fiegenbaum, Avi., Thomas, Howard and Tang, Ming-Je. (2001). *Linking Hypercompetition and Strategic Group Theories: Strategic Manuevering in the US Insurance Industry*. Managerial and Decision Economics. Retrieved March 30, 2011 from: https://destiny.bus.sfu.ca/emba/2009%20Cohort/Spring%202011/Bus%20696 %20%20Project/Mark%20Moore%27s%20Project%20Guidelines/B%204%20Hypercom petition.pdf

- Local produce, and to a more limited extent local meat products, will drive significant consumer traffic in store.
- Being left out of the local game will have a dramatic effect on market share long term.
- Localized urban markets with strong historical ties to local suppliers could gain "localized" market share positioning in specific regions.
- Protests over food shortages will force producing countries to limit exports.

6.3.3 What Other Forces Influence the Zero Mile Diet?

- Increased fuel costs impact food costs
- Food shortages
- Political instability and foreign country nationals and food subsidy demands
- Increased consumer demand for sustainable food practices
- Increased consumer demand for fresh products
- Widening gap between the rich and the poor leading to increased willingness to pay for some customers and reduced willingness to pay for others

6.3.4 What Other Forces are Influenced by the Zero Mile Diet?

- Willingness to pay for other locally grown products
- Increased customer awareness of other, internationally sourced products
- Potential for "value proposition" being added for traditional cheap, overseas goods

- Potential supplier relation concerns
- Seasonality

6.3.5 Potential Responses from Characters?

- Sobeys: The Old Man on a Mission will see this as an opportunity to further brand himself as a "local" store. He will shore up suppliers, and potentially even engage in limited vertical integration, and will market local products as "his own" through either existing or new control label brands.
- Wal-Mart: The Barbarian will consider this yet another local population that wishes to feel like it can provide for itself. The Barbarian will humour this consumer trend by offering local goods, but will also juxtapose this offering (and the offering of its competitors) with tempting goods at tempting prices sourced overseas. The Barbarian will try and position himself where he is letting customers 'feel good' about themselves, but also allow them foreign goods at the best prices available anywhere in Canada. He will achieve this through global leveraging.
- Metro: The Little Big Guy will see this trend as a threat to their retailing offerings in Western Canada, where he does not have the presence to compete on a local platform. He might contract, but only to focus on his core market. Once again, The Little Big Guy could be fighting with smaller regional players, a big fish in a small sea. He will be vulnerable and will need to enhance his image as a local grocery market in order to remain relevant to consumers.

- Loblaw: The Paranoid King will be a bit unsure of himself at first. He is a big player, but only a national player and will not be able to throw his weight around internationally as much as he would like. His size will make him influential with local suppliers, but he can't abuse his power or valuable vendors will take their business elsewhere. The King will need to learn to partner, not rule unilaterally.

6.3.6 Scenario

Customers become more sensitive to the environmental impact of sourcing food products, especially produce, internationally. They increasingly demand local product. All major, as well as smaller, grocery retailers draw on local produce and local products. This drives up the cost of locally sourced goods, creating higher prices and cuts into traditionally high margins on local marketed product. Those retailers who are able to provide this product consistently will see increased traffic in their stores; those who cannot will see reduced traffic.

Beyond consumer demand, rising fuel costs will drive up prices on internationally sourced goods. Traditional, staple goods will have significant and repeated price hikes, frustrating customers who will look for lower, or at least consistent, prices from other retailers.

Internationally, there are increased pressures on foreign governments to subsidize food and to reduce exports when local populations are starving or are unable to buy food grown down the street. This pressure will in part be due to population growth. Increased fuel demand will also drive up the cost of corn and other staples that can be converted into fuel. Governments will be under increased pressure to feed their local populations.

Canadian consumers will also be reluctant to sacrifice traditional variety and choice at the grocery store. Customers will still expect strawberries in January. Despite seasonal influxes from local goods produced in Canada, the variety and consistency of the offering will not keep up with demand. Customers, again, will be frustrated by wildly fluctuating prices on goods.

Channel captains will emerge, large global players that will increasingly control the flow of foodstuffs internationally. Wal-Mart, Carrefour, and Tesco are three common examples. This will drive up the costs of sourcing internationally for localized food retailers who are globally isolated by operating only in North America, or in an individual country. These domestic players simply will not have the same scale as the channel captains. As suppliers are stretched thin, the channel captains will consolidate power over the suppliers. This will make it difficult, and expensive, for domestic players to source goods. This in turn will drive up the demand for locally produced goods, which an ever growing pool of domestic players will vie for.

With higher prices on goods, domestic players will be increasingly vulnerable to channel captains either operating in the country, or looking to enter. Canada in particular will become more and more attractive to Carrefour and Tesco, as their influences over global suppliers can ensure a lower price on goods.

The Canadian mass grocery retail industry will see increased entry by global players who can influence large, international supply chains. Smaller ethnic food chains, such as T&T, will have their supply chain dry up.

6.3.7 Potential Responses

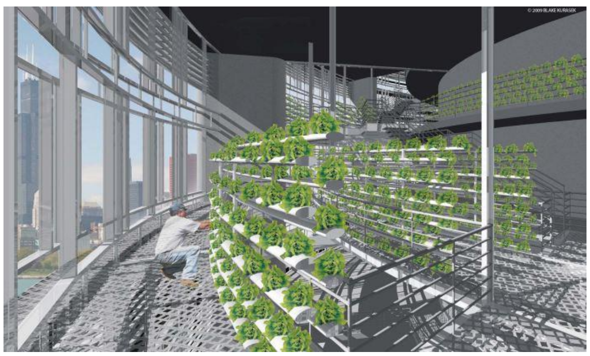
Vertical integration will be one potential outcome. This solution has proven overall profitable in emerging economies where inefficiencies in diversification more than make up for the potential transaction costs of sourcing from many small vendors, in a competitive sourcing environment. Some key competitors may embrace this concept. Sobeys in particular may look to greenhouses, and other mechanized agricultural initiatives. Wal-Mart will continue to source internationally, leveraging scale, though it will look for opportunity buys in the local market and – under significant local pressure – may have to source more product locally.

Loblaw's ability to vertically integrate is significant, mainly due to available capital. And with the strongest control label brand in Canada, PC, they possess marketing channels that would not be available to other retailers.

Additionally, the size and sprawl of Canada and its population makes vertical integration difficult. For example, citrus can only be grown in select areas across Canada. Transferring lemons from Vancouver Island to Toronto is no better than transferring them from California. This leaves greenhouses or control climate growing environments the only viable option.

Enhanced "Traceability" is another option, where retailers provide visibility to consumers on the carbon footprint and travel distances of the products they buy. The goal is to place the onus on both the customers and the suppliers to provide and buy regionally produced goods. The retailers position themselves as the invisible middleman in a series of ongoing transactions between customers and suppliers over what is a reasonable distance and a reasonable cost.

Vertical integration into traditional agriculture may not yield ideal results. An international sourcing presence may become necessary regardless of local presence. Wal-Mart already has international presence. Both Loblaw and Sobeys possess international presence in regards to their parent companies that would need to assist to open up sourcing channels. Only Metro will be isolated in the local market.



[79]

Foreign growth through acquisition could occur, although the necessary size of the acquisition to achieve any sort of channel control would likely be impossible. Of particular vulnerability could be ethnic food banners. Although ethnic foods in traditional banners will also suffer, the potential inability for such banners as T&T to gain consistent access to overseas, ethnic goods could badly impact the retail chain. On the other hand, the ability to shore up sourcing channels overseas would ensure a competitive advantage that could be leveraged and used to prop up waning supply for the traditional grocery retail banners.

Perhaps the most effective response is what could be called "vertical-vertical integration". The increased urbanization of Canadians poses the simple problem that the more urbanized they become, the further away from food sources they move. The "end game" response is to remove the entire supply chain.

[79] Kurasek, Blake. (2011). *The Living Skyscraper: Farming the Urban Skyline*. Retrieved March 16, 2011 from: http://www.verticalfarm.com/designs?folder=fa7bdfe4-03c5-49ed-b1aa-9911dd75d287

"Vertical Farming" is a relatively new concept. In it, product is grown in specially built skyscrapers, each level essentially a greenhouse that is able to provide significant produce yields. According to some estimates, one indoor acre is equivalent to 4-6 outdoor acres. [80] (For a list of advantages claimed by vertical farming proponents, see Appendices F) The value proposition here would be enormous. Situating an urban store in the bottom floor of a high-rise building that provides daily, fresh fruits and vegetables for the store below would position the firm in a way that no other firm would be positioned. There would be no supply chain, no carbon footprint. Yields are high, all aspects of the agricultural process are carefully recycled, and environmental impacts mitigated.

[81] Imagine for a moment that a customer steps into the urban store. They grab some lettuce and cucumbers that were cut two hours ago from floor 11, and grab some mangoes picked from floor 16 last night. On the weekend, they can bring their children to go and pick strawberries on the fifth floor. The fresh factor is enormous. The appeal and the traffic driven are huge. Quite simply, the retailer who adopted this model would have no competition, unless the other firms

[80] The Vertical Farm. (2011). Retrieved March 16, 2011 from: http://www.verticalfarm.com/more

[81] SOA Architects. (2011). *The Living Tower*. Retrieved March 16, 2011 from: http://www. verticalfarm.com/ designs?folder=510aa317-7750-4176-92b0-99f7e98cddb1

imitated. This may be the logical end game to the “100 Mile Diet.” There is no response to this.

7: NARRATIVE STRATEGIC ALIGNMENT – BRINGING CURRENT STORY AND SCENARIO TOGETHER

7.1 INTRODUCTION

The final step in developing a narrative storyline of the mass grocery retail industry is to connect the past, present, and future storylines and analyze competitor current path dependencies and potential fit of future outcomes.

Again, the focus is more on utilizing the scenarios and current stories and structures as devices, pieces that can be adjusted and changed in order to illuminate variability in potential outcomes.

7.2 SCENARIO 1 "THE EMERGENCE OF ONLINE RETAIL: THE TYRANNY OF CHOICE AND THE RISE OF THE SUPPLIER"

7.2.1 Focal Firm Fit

For Loblaw, the current storyline finds them at the top of the hill, the king of the castle. They are completing a massive overhaul of the supply chain network, and have split retail focus between "Hard Discount" and "Traditional." So where, from a story perspective, is the organization positioned for Scenario 1?

Loblaw is not positioned well from a core competency perspective. Perhaps the one advantage Loblaw could leverage is significant capital resources and a first mover advantage. All major retailers appear to be "on the fence" when it comes to online grocery offerings. Any aggressive move by Loblaw would likely result in a wait-and-see response from the other Big 4. But the level of story fit is low.

7.2.2 Primary Competitor Fit

Out of the Big 4 competitors, Sobeys with their high mechanization competencies, along with sophisticated customer relationship technologies, is best positioned from a story fit perspective to engage in a real-world online scenario.

Wal-Mart is well positioned from a supplier control perspective, in which suppliers attempt to cut out the intermediary. National firms such as Loblaw, Sobeys, and Metro are vulnerable to this, but Wal-Mart's global position as a channel captain protects them from this outcome. Likewise, Wal-Mart does have an online presence in several markets, specifically in general merchandise. So competencies and organizational understanding could be leveraged.

Perhaps Metro's one opportunity is the potential positioning of a number of its smaller grocery stores as a more 'convenience' style offering, augmented by online ordering and potential pick up or delivery.

7.3 SCENARIO 2 "PRIME TIME THROWDOWN"

7.3.1 Focal Firm Fit

Loblaw's current story will be sufficient to outlast Metro in an all out war, but it will be insufficient if they wish to leave the battlefield in relatively stable condition. The two-pronged strategy of discount and traditional will not be enough. Convenience will be a key and growing market, and without the higher margin potential of this offering, and the potential for other firms' convenience offerings to erode market share, Loblaw will suffer. Current and future story alignment is at an acceptable level, but could be stronger.

7.3.2 Primary Competitor Fit

Wal-Mart would, on the surface, appear to be the best positioned in terms of story alignment to a potential all out war. However, its sole ability to compete is on price, a potentially flawed tactic heading into a war that will not just be about price, but on differentiation. Wal-Mart needs to be able to offer increasingly differentiated goods at the lowest prices to compete. However, their deep pockets should allow them to outlast regional players like Metro. But with a singular focus on cost, retreat is always a possibility.

Sobeys' potential story positioning is nearly as strong as Wal-Mart, due to their continued focus on reducing operating costs. If this story is successful, they can continue to compete by offering superior food at comparable price points. Likewise, the "local" strategy they have employed should give them insight and a competitive advantage over Wal-Mart, Loblaw, and Metro, who do not have the same customer response capabilities.

Finally, Metro's ability to compete will largely rely on their movement away from their current story. They share Loblaw's dual focus, and offer a traditional and discount banner format. Again, a split focus will prove only partly successful in an all out war, and the shared strategy between Metro and Loblaw does not bode well for the smaller, more geographically and capitally constrained Metro.

7.4 SCENARIO 3 “THE ZERO MILE DIET”

7.4.1 Focal Firm Fit

Loblaw’s current story holds both positive and negative attributes for a fundamental shift in supply chain. On the one hand, coming through a recent massive overhaul means that there are significant capital sunk costs invested in the abilities of supply chain to support the current strategic direction of the firm; on the other hand, the organization has become leaner and is able to learn and adapt at a more rapid pace.

Regional restraints are also a key issue, and Loblaw has no strategic plans to grow into the US or elsewhere. The one exception to this is the growth of Joe Fresh Apparel into the US market. This could create long-term leverage for the firm on a wider scale.

Urban agriculture is obviously beyond the current competencies of the organization. Access to capital, however, is high. Moreover, Loblaw has only recently begun exploring the urban style concept market, and has gained insight into the operations without yet investing the necessary capital for urban expansion.

Story fit is medium-low.

7.4.2 Primary Competitor Fit

Wal-Mart has global leverage to minimize macro environmental impacts on supply chain costs. Nevertheless, there is a limit to their abilities to mitigate costs and risks. Increased scale globally, and low organic growth, could push them to integrate vertically.

Sobeys and Metro, both of similar size and regional scale, face the same issues. They will be relatively equal in their scramble to shore up local suppliers, and will be equal in leveraging local customer relationship strategies into local supplier relationship strategies. If vertical farming or some variation of urban farming becomes a viable option, Sobeys' core competencies in mechanization will again give it a strategic advantage in rapidness of implementation and understanding likely returns on capital investment.

7.5 STRATEGIC ALIGNMENT CONCLUSION

Although by no means exhaustive, the goal of analyzing story present and future fit is meant to understand how rapidly firms can adapt to potential future scenarios, and what changes or path adjustments will need to be made in order to create strategic congruency. It is about drawing a line through the current story, positioning the future scenario on the strategic landscape, and understanding whether the current story line will overshoot, undershoot, or directly hit the scenario. It is about the potential future as a target, and considering the alignment necessary to hit that target.

8: CONCLUSION

The hope is that what has been presented here is the first step towards offering systematic means of strategy generation through narrative techniques. The process is often more intuitive, more qualitative than quantitative, more heuristic than analytically intense.

For Loblaw, the competitive landscape remains fraught with challenges, but likewise there are significant and profitable opportunities. The grocery industry is at a late maturity stage, potentially even a declining stage. But customers will continue to need basic foodstuffs, and the grocery industry will continue to exist in a variety of formats, offered through an increasing number of channels. Loblaw's willingness to evolve along with its changing customer needs will dictate its ability to compete in the near and distant future. The challenge will be how divergent and fragmented those customers' needs become.

There remains a need for breaking free of rigid industry strategy models and categories. Strategists have spent 40 years building up walls around strategy, and now those walls need to come down. Strategic techniques must be treated as what they are: tools, not gospel. They should be utilized when they are useful, and discarded when they are not - much like the tools and techniques suggested here.

Quantifying the differing outcomes and conclusions in narrative strategic analysis versus classical strategic analysis is difficult. Once conclusions have been inferred using one technique, the now realized patterns and potential in the competitive landscape are pushed to the forefront. Creeping determinism crystallizes identified opportunities for competitive advantage.

Ultimately, the difference between classical and narrative approaches to strategic analysis is comparable to the differences in perceiving the competitive landscape as either an objective or an enacted environment. In classical strategy, the objective environment is central; the answers are out there, somewhere, buried in data or staring the poor strategist in the face. In narrative strategy, the enacted environment compels the strategist to create the world around him or her. Actions are meaningless until meaning is imposed, created and connected to a series of actions, which imbues meaning.

Perhaps the narrative analysis of the mass grocery retail industry produced unique connections between online's future potential and today's growing convenience channel; perhaps classical analysis would not have identified locally sourced foods as a key potential differentiator in the urban market; and perhaps the implications of anti-trust laws and accompanying growth constraints on the major players would not have been fully realized in a classical analysis. Of course, perhaps identical responses would have been arrived at – but the story would not have been as good!

The narrative overview began with one of Aristotle's narrative insights, so it is fitting to end with one of Aristotle's oversights, an oversight that today's strategist would be sympathetic towards. Milan Kundera, in his book *Immortality*, discusses Aristotle's undermining of the narrative importance of episodes:

> "Aristotle did not like episodes… It is outside the causal chain of events that is the story. It is merely a sterile accident that can be left out without making the story lose its

> intelligible continuity and is incapable of making a permanent mark upon the life of the characters… But it is precisely here that we realize the relativity of the concept of the episode… for every event, no matter how trivial, conceals within itself the possibility of sooner or later becoming the cause of other events and thus changing into a story or an adventure. Episodes are like land mines." [82]

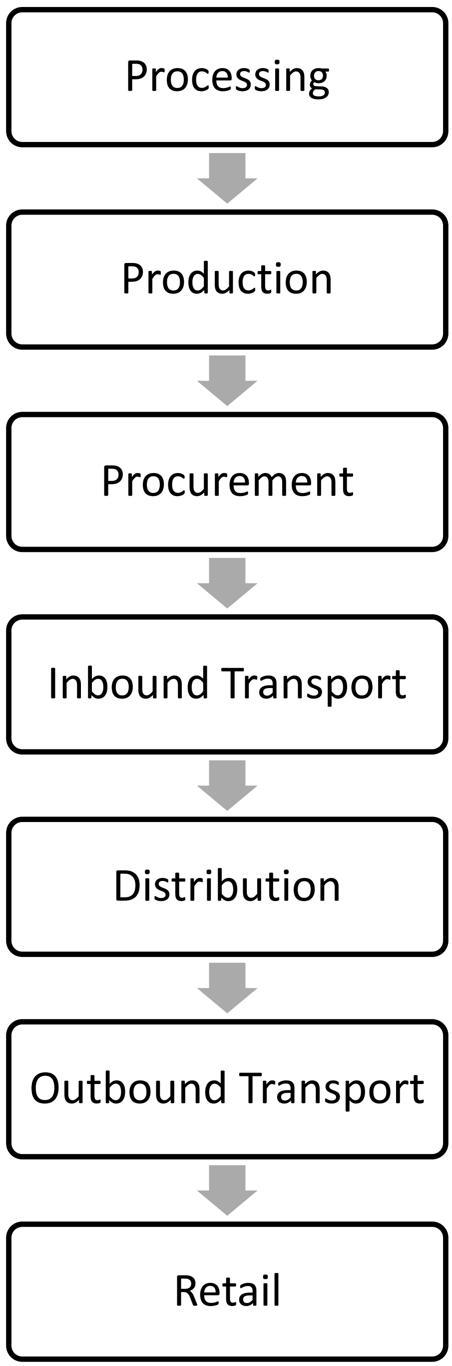
Strategists have a similar problem. What is important? What pieces of information can be picked out of the landscape and weaved into a successful strategic plan? Each little piece of information can – and perhaps does – have significance. This constant data sorting, categorizing, and prioritizing can easily overlook potential patterns; potential "land mines."

The goal of utilizing a narrative approach is that some of these land mines can be identified and strategic insights leveraged to the advantage of the fulcrum firm. In an increasingly competitive, global, and fluid business landscape, strategy must focus on the inclusionary rather than the exclusionary; in the pursuit of strategy, in the race to remain relevant to the customer, and in the jostling for competitive advantage, the firm's strategists must never lose that ephemeral connection between imagination and action.

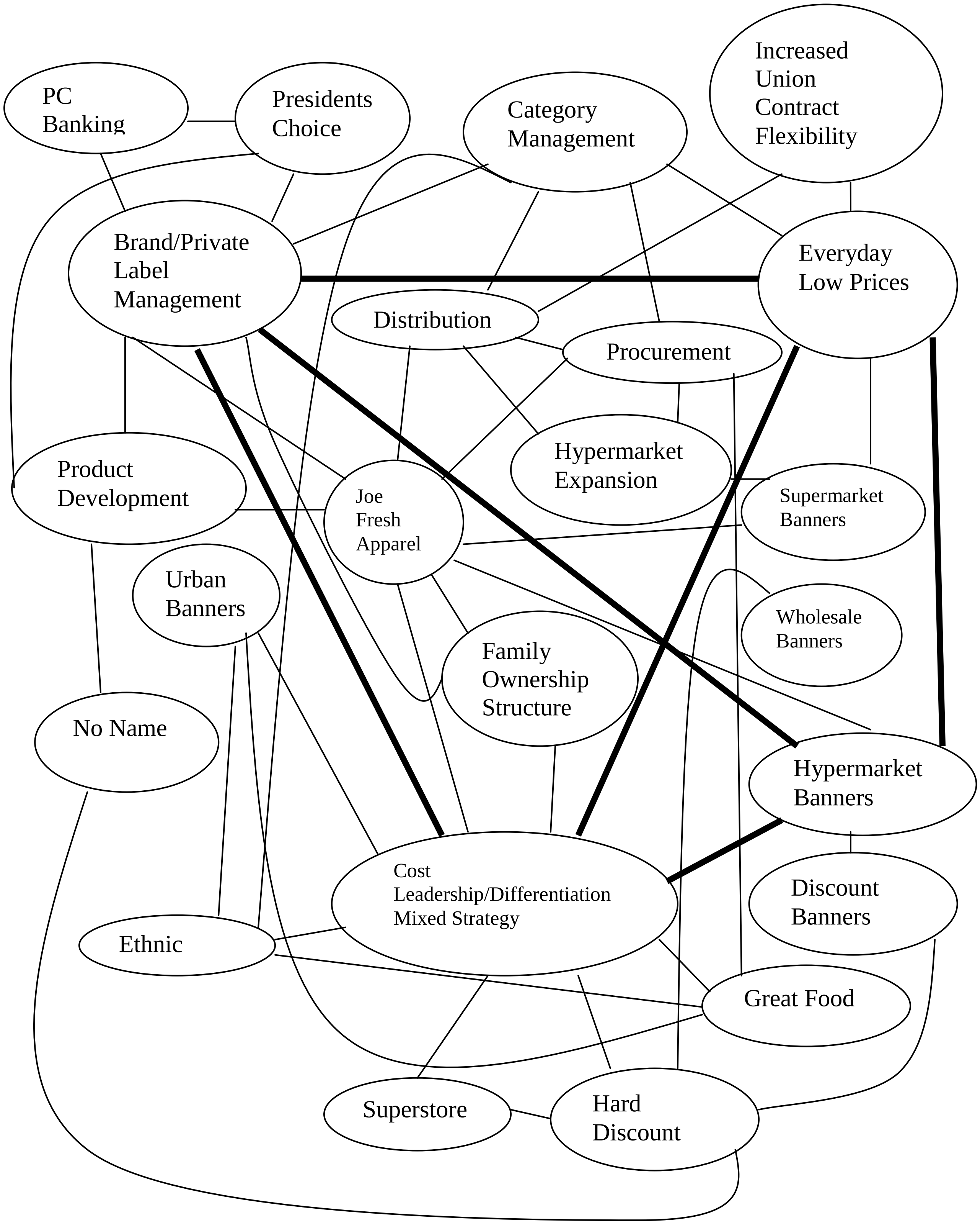
[82] Kundera, Milan. (1991). *Immortality.* New York, NY: Grove Press Inc.

APPENDICES

Appendices A: Supply Chain



Appendices B: Activity Map



Appendices C: Porter's Five Forces

Suppliers

- Many supplies commoditized, undifferentiated goods (i.e. Produce)
- Relatively easy to switch
- Dispersed across North America and globally
- Tendency to volume buy
- Low current threat of forward/backwards integration
- Consolidation of "Super Brands"

Government

- Regional anti-trust enforcement
- Francophone legal operating requirements
- Import laws
- Foreign packaged goods requirements

New Entrants

- Huge economies of scale for discount retailers
- Moderate brand identity
- Substantial capital requirements
- Easy access to distribution channels (3PL)
- Easy access to necessary inputs (willing suppliers)
- Low government policy barriers to entry
- Long term threat of retaliation is high – short term retaliation is low
- Low-barriers in convenience and online channels

Industry Competitors

- Slow industry growth in developed markets (NA)
- Low product differentiation
- Low switching costs
- Both large scale competitors and small, market segment specific competitors
- High fixed costs over value added
- Potential for overcapacity in the network

Substitutes

- Significant substitutes:
  - Restaurants for food
  - Other smaller market banners
  - Apparel and general merchandise stand-alones
  - Convenience style offerings
- Low propensity for customer to switch or substitute grocery store
- Higher cost (but also WTP) for substitutes

Buyers

- Low switching costs
- Significant buyer information
- Significant variability in WTP from different customers in different regions (urban vs. rural)
- High knowledge and flow of information
- Low product differentiation
- Easily accessible substitutes
- High SKU demand

Appendices D: STEEPLE Analysis of the Mass Grocery Retail Industry in Canada

STEEPLED	CURRENT STATE	FUTURE STATE	IMPLICATIONS
SOCIAL	Traditional Canadian shoppers have a particular grocery store they shop at. They are habitual shoppers and are notoriously difficult to lure away to another store.	Younger generations, many of whom do not yet buy the groceries, have far less brand loyalty and are less habitual in their shopping patterns.	**Mid-Level Impact** A greater need for consistent positive customer experiences will emerge, and customer loyalty programs will become more important to promote repeat and loyal customers.
TECHNOLOGICAL	Most technological advances in the grocery retail business have centred on improved information sharing with suppliers and increased information gathering on customers.	Robotic advancements in the supply chain could reduce labour costs. Testing has been underway to merge the grocery experience with home technology. I.e. Fridges that electronically track 'inventory levels' at home, shopping carts with touch screens that can download personal shopping lists, suggest new recipes, and price compare within a single location.	**High-Level Impact** There is a high possibility that tech-savvy customers will increasingly come to expect more sophisticated means of shopping and accessing information in store. This could, in turn, create a competitive advantage for some, or increase already stiff competition.
ECONOMIC	The grocery business in Canada is more insulated from downswings in the economy. The Canadian economy continues to perform well. There is, however, little likelihood that there will be significant growth in the short term.	Growth will continue to be slow.	**High-Level Impact** Competitiveness of industry will continue to be high, and grocery retail companies will continue to look for ways to increase margins.

EDUCATION	The Canadian population is one of the most highly educated in the world.	This trend will continue and likely the level of education will increase over time.	**Mid-Level Impact** For the grocery industry, this means a highly informed and knowledgeable customer who will understand impact of grocery business on both the domestic and international stage.
POLITICAL	Politically, Canada is very stable. There are political sensitivities around Quebec, as witnessed by Wal-Marts issues with entering the market.	Continued stability. Occasional activity within Quebec and sporadic solidarity movements could interrupt some activity.	**Low-Level Impact** Mainly, French-Canadians could represent a particular challenge to new entry firms, but for incumbents it could act as a low-level barrier to entry.
LEGAL	Consolidation in the industry has resulted in anti-trust investigations against Loblaw. Several high-profile food contamination cases have raised questions around food safety.	Anti-trust could become more of an issue as the oligopolistic industry tries to acquire additional smaller players. Increased global sourcing of products could increase risk exposure involving food contamination or ethical sourcing.	**Mid-Level Impact** Future expansion could be dampened by laws and significant market share.
ENVIRONMENTAL	Heightened consumer awareness of environmental concerns.	Stricter regulations around sourcing from sustainable sources.	**Mid-Level Impact** Consumers will make increased demands for sustainable and environmentally friendly products, but will not want to pay additional costs for these products.

DEMOGRAPHIC	Higher rate of urbanization. Canadian population growth heavily dependent on immigration, largely from Asian countries.	Even higher urbanization and cities growing “up not out”. Immigrant groups will demand ethnically diverse foods.	**High-Level Impact** Vertical urbanization will reduce growth at suburban supercenter models. Growing immigrant communities will create opportunities for segmented ethnic markets and create increased SKU demand at larger grocery retailers.

Appendices E: Detailed Wal-Mart Private Label Offerings

Apparel

- **Faded Glory** is a brand for basic men's, women's, and children's clothing and footwear. It is Wal-Mart's primary clothing brand.
- **Jesse James Industrial Workwear** is a brand of men's work clothing, named for the motorcycle builder Jesse James.
- **No Boundaries**, usually abbreviated as **NOBO**, is a line of apparel targeted at teenagers and young college students.
- **Simply Basic** was previously a brand used for health and beauty items, but is now used primarily for women's sleepwear.
- **White Stag** is a line of women's apparel. Includes jewellery and footwear.

Homelines

- **Better Homes and Gardens** is a product line with designs inspired from the popular magazine of the same name.
- **Canopy** is a home product line that features coordinated solutions for rooms and other domestic goods. Some Canopy products are made with organic cotton.
- **Hometrends** products include small furniture, tableware and various home decor accessories, such as rugs and faux plants.
- **Mainstays** products include curtains, bedding, some small home furnishings, and various other products, including office supplies and kitchen utensils.
- **your zone** is a home product line that tailors toward teenagers and college students.

Others

- **@ the Office** is a brand used for office supplies and stationery.
- **Best Occasions** is a brand used for party decorations and accessories, such as candles and hats.

- **Clear American** is used for carbonated and flavored water. Was previously known as *Sam's Choice Clear American*.
- **Color Place** is the brand used for paint and painting tools. Color Place paint is made by Valspar.
- **Douglas** is the brand used for budget priced tires. Models include Xtra-Trac and Touring. Some models are made in a Goodyear plant.
- **EverStart** is the brand for automotive and lawn mower batteries. The brand is also used for battery related accessories, such as jumper cables.
- **Equate** is a line of health and beauty items.
- **Fire Side Gourmet** is used for pre-cooked burgers and steaks, and was previously under the*Sam's Choice* label.
- **Gold's Gym** is used for athletic and exercise equipment such as weights. Named after and licensed from the chain of fitness centers.
- **Holiday Time** is used for Christmas items such as Christmas trees, decorations, and wrapping paper.
- **Kid Connection** is used primarily for children's toys, but was also used for children's clothing and shoes.
- **Marketside** is a brand of fresh foods usually found in Walmart's deli, produce, and bakery departments, such as salads, soups, breads, and sandwiches.
- **Ol' Roy** is a brand of dog food.
- **Ozark Trail** is a brand used for outdoor equipment and footwear.
- **Parent's Choice** is a store brand for baby products.
- **Protege** is a brand consisting of luggage and travel accessories.
- **Special Kitty** is a brand of cat food and litter.
- **SuperTech** is Walmart's brand of motor oil. The brand is also used on other consumable automotive products, such as oil filters, windshield wiper fluid, and transmission fluid.
- **Walmart Family Mobile** is Walmart's exclusive cell phone (postpaid) service provided through theT-Mobile cellular network.
- **World Table** is a brand consisting of foods inspired by international cuisines, such as sauces, snacks, and frozen foods.[83]

[83] List of Walmart Brands (2011). Retrieved February 26, 2011 from: http://en.wikipedia.org/wiki/List_of_Wal-Mart_brands

Appendices F: Advantages of Vertical Farming

- Year-round crop production; 1 indoor acre is equivalent to 4-6 outdoor acres or more, depending upon the crop (e.g., strawberries: 1 indoor acre = 30 outdoor acres)
- No weather-related crop failures due to droughts, floods, pests
- All VF food is grown organically: no herbicides, pesticides, or fertilizers
- VF virtually eliminates agricultural runoff by recycling black water
- VF returns farmland to nature, restoring ecosystem functions and services
- VF greatly reduces the incidence of many infectious diseases that are acquired at the agricultural interface
- VF converts black and gray water into potable water by collecting the water of evapotranspiration
- VF adds energy back to the grid via methane generation from composting non-edible parts of plants and animals
- VF dramatically reduces fossil fuel use (no tractors, plows, shipping.)
- VF converts abandoned urban properties into food production centers
- VF creates sustainable environments for urban centers
- VF creates new employment opportunities
- We cannot go to the moon, Mars, or beyond without first learning to farm indoors on earth
- VF may prove to be useful for integrating into refugee camps
- VF offers the promise of measurable economic improvement for tropical and subtropical
  LDCs. If this should prove to be the case, then VF may be a catalyst in helping to reduce or even reverse the population growth of LDCs as they adopt urban agriculture as a strategy for sustainable food production.
- VF could reduce the incidence of armed conflict over natural resources, such as water and land for agriculture[84]

[84] The Vertical Farm. (2011). Retrieved March 16, 2011 from:http://www.verticalfarm.com/more

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