

Customer
first
thinking.



Retail Reimagined

An Interview with Shawn Stewart, Senior Vice President, Customer and Triangle, Canadian Tire Corporation

Shawn Stewart:

Shawn Stewart is the Senior Vice President of Customer and Triangle at Canadian Tire



Traditional retailers learned a harsh lesson over this past year – not to ignore the growing shopper demand for convenience, value, and immediacy. They had been slow to make the transition to omnichannel commerce, misreading the slow gradual rise in online spending as a sign of shopper indifference. Why should they fool with a proven brick-and-mortar sales model, even if Amazon was looming ever larger in their rear-view mirror? Time was on their side, they figured.

The pandemic proved them horribly wrong. The sudden surge in online shopping left most retailers operationally stranded. As foot traffic dwindled due to restrictions on in-person shopping, they were forced to close stores. Many retailers, particularly in the department and clothing sectors, were pushed to the brink of insolvency. In fact, the U.S. experienced the most retail bankruptcies in a decade. Once prominent retailers like Neiman Marcus, J.C. Penney, Lord & Taylor and Brooks Brothers filed for bankruptcy. In Canada, the picture

was just as bleak, with many retailers crippled by the lockdowns.

This financial carnage may have been the tipping point for the reinvention of retail. The industry has finally woken up to the fact that shopping habits have radically changed. And as product manufacturers open up their own digital storefronts, the era of retail hegemony may finally be over. Retailers will need to evolve beyond their historical role as the primary distribution channel for products. Stores may simply become showrooms. Or retailers may decide to open up new revenue streams by making their own branded products. And those retailers with large addressable databases might create online marketplaces for third party sellers (just as Hudson's Bay has announced). Or they can offer their customers add-on services as Walmart has already done in the U.S., taking advantage of the loyalty data they collect.

In Canada one retailer has stood out above all others in transforming its business model - Canadian Tire. Founded almost a century ago, Canadian Tire has confronted numerous threats to its merchandising might by U.S. giants like Walmart and Target intent on muscling in on its turf. The company's resiliency is partly explained by its geographical footprint – most Canadians live within a 15-minute drive of a store – but also by its independent dealer network which gives the company an intimate connection to each local community. In 2019 Canadian Tire was recognized as Canada's most admired brand in Leger's annual consumer survey. It rightfully owns the honorific "Canada's Store", a far cry from the days when it was mocked as "Crappy Tire".

This past year, despite all of the havoc caused by the pandemic, Canadian Tire increased comparable year-over-year store sales by 11%

across its banners. Ecommerce sales more than doubled, an impressive feat when you consider that at one point the company actually backed away from online selling, until it came to its senses seven years ago and began to invest heavily in its digital and ecommerce capabilities.

A big part of its recent success is attributable to its embrace of data-driven marketing, thanks to its 10-million-member Triangle Rewards program, which grew by another 2 million customers last year. Launched in 2018, Triangle Rewards is the digital version of the famously popular Canadian Tire Money, once looked upon affectionately as Canada's second currency. The CTC Executive in charge of loyalty and insights is Shawn Stewart who took over the role six years ago. Amongst his many accomplishments has been the development of the Triangle program and the creation of an AI-driven recommendation engine which powers seven million weekly personalized offers.

I began the interview by asking him to explain why Canadian Tire was able to prosper this past year despite the entire retail sector being caught in the eye of a hurricane.

SS

Shawn Stewart (SS): It's a few factors. I mean, we saw in our loyalty data that consumers did consolidate their visits and baskets were appreciably... You know, the thing with the core Canadian Tire brand, and it's always had that kind of secret sauce of being able to walk in there and find things you never knew you needed, but over the years we've really overdeveloped our presence in the essentials as well. So, early on, I think we were being discovered, frankly, by customers, "Hey, I didn't know Canadian Tire sold toilet paper, and they're in stock," right? So, we got this mix of our best customers coming to us as a one-stop shop because they didn't want to go out to visit stores. The strength of our dealers really helped in this case because they were very easily able to launch curbside pickup and new capabilities that we didn't have coming into COVID. And so, just meeting customer needs quickly. And, you know, we talk to customers a lot throughout the pandemic, and loud and clear was the strength of our brand, the love for our brand, the appreciation for all the safety measures we were taking. I would say a lot of patience, right, for some of the friction we had in our process early on. Our e-com site was just overloaded with volume, but we quickly pivoted and got that right. And we've acquired actually new customers, believe it

or not, within this. And I think that's part of that discovery piece where they said, especially young adults, you know, who were maybe shopping on behalf of their older family or friends but came into Canadian Tire for the first time, joined Triangle program for the first time during this period and really focused on essentials, what we call internally "boredom busters." So, this is people with kids spending a lot of time in their backyards, you know, barbecues, patios, toys. All those core categories were right in our sweet spot in terms of behaviour shifts.

SS

Stephen Shaw (SS): Wow. It's hard to believe, with Canadian Tire, I think 80% of Canadians or some figure like that shop at Canadian Tire, hard to believe that you could actually find new customers, but this is a generational thing as you're pointing out. What about shifts in... obviously, people loading up on essentials and, obviously, that's been going on. Non-essentials, the kinds that you're describing anyway for home entertainment or boredom busters, I think you said?

SS

Yup.

SS

I understand. Were there any other categories that just dropped off a cliff that suddenly people weren't buying?

SS

Yeah. I mean, we saw in some cases in the automotive business. I mean, as people were staying at home and not driving as much, I mean, there's an obvious impact there in terms of service. Although on the flipside, we saw, we have a segment we call the "Auto Enthusiast" and they loaded up because they had some time on their hands. They were tinkering around with their vehicles. So, a lot of DIY categories in that business were up. But a lot of what you would imagine in terms of the macro impacts around auto and stay-at-home, in many cases, in most cases benefited us, but there were a few trade-offs and, you know, the challenges we have in fulfilling them in. No one ever predicted this level of volume coming in, right? The amount of bikes we're selling is just out of the world. So, we've had great relationships with our vendor base, worked with our dealers very closely. They understand the demand and what they were buying. And I think put us in a good position to kind of fulfill as kind of the number one supplier in those categories. (8.36)

SS

Were there supply chain issues? So, take bikes, for example. Did you suddenly find yourself having a tough time restocking because of the run on something like bikes?

SS

Yeah. I mean, there's blips, right? But in that case, for example, we've got the Sport Chek business that was closed and had a bunch of bike inventory. So...

SS

That was serendipity.

SS

Yeah. You got this ecosystem at play now that really can benefit us. And I would say our vendor base and our dealers kind of helped us incredibly to kind of keep us in stock as we could.

SS

Wow. But now going forward, let's think about for a second, and I'm sure you guys are doing a lot of thinking about this, the post-pandemic world, and you're seeing also a lot of opinion on this, so I put it, about how future shopping habits might change. Some are arguing even that there might be a retrenchment in shopping that people, you know, we've been groomed to be a consumer society for so long and that may shift. People may stop buying stuff. What are your projections as an organization in terms of sort of the permanent shifts in spending habits that you're likely to see coming out of this thing?

SS

Yeah, well, this is an area we have a lot of capability around, as much as you can predict the future in this kind of state. But, internally, we call them the "jobs and joys". So, these are the things that customers get up to during their life in Canada. And we've prioritized those. We've mapped our categories of business against those. And we talk to customers, right? And we understand their sentiment, not just with regard to retail, but their confidence in the economy, their job security, their opinion around saving versus spending, as you point out. And those are just, you know, those are, in some cases, good indicators. Sometimes, you know, customers don't always know what they're going to do. And so, we've mapped out scenarios. You know, if there is a wave two, we've got a plan. If demand continues the way it's going, we've got a plan. If it tails off, we've got a plan. But we found our customer base quite resilient. And as we said earlier, we're in a lot of essential businesses, right? So, sort of non-discretionary businesses that people need and being at home. I still go back to the boredom busters. You still got to keep your kids

entertained. You got to keep yourself entertained. You're a little crazy in this world.

SS

Well, maybe you should start up a streaming service then, because that's obviously...

SS

There you go.

SS

Well, hey, if Amazon can do it, you guys could do it. We're going to talk about that a little later on, actually. So, you plotted out different scenarios, which is a pretty good, obviously, way of approaching things from a merchandising standpoint. Do you see... You know, you referenced e-com, and you didn't mention e-com in your answer, but surely, a massive acceleration and consumer adoption of online, or e-commerce I should say, in the last six months has surprised, amazed everyone. I'm sure that's been the case for you. How does that factor into those projections or scenarios that you were just describing?

SS

Yeah, I mean, we're anticipating we're at new levels of, within our e-com mix. We've kind of fast forwarded into the future a couple of years. And we have to be competitive there, there's no doubt. And we have to be able to handle the volumes like the ones that came over the last few months. But overall, we still feel our strength is in the store and local. We're all for customer choice and we will build our capability to support that, but the ability to get what you want immediately. I think it's 90% of Canadians who say, "I live within 15 minutes of Canadian Tire." The ability for the dealers to create a local community-driven experience. There's real attachment to the brand, right? We're not just another retailer in customers' eyes. They want to support Canadian brands. Many grew up with us. Many are discovering us for the first time. And so, yeah, on e-com, no question that's going to change in the mix. We'll accommodate that. We've got the unique ability, too, through the Triangle data is to understand the channel shift and change and how people are using e-com online not just for buying, right? It's to prepare for your store trip, and how we can use the online channel to support in-store conversion is a huge focus for us, and quite measurable, right? Because we can see the customer across channel and across our banners. And so we still think the strength's in our local business. But now's the time, you know, we say internally, to double down

on our strengths, right? This is the opportunity to take share, to engage customers. One of the things we're focused on is bringing customers into our owned audiences, right? So, how do we get them signed up for our mobile app, for email channels, right? We've got 10 million members in Triangle, right? How do we create communication channels that will sustain? If you think about COVID, for a brief period of time, we suspended our paper flyer, which is like legacy, unbelievable great channel for us, and people hold very dearly. But it also says, you know, "Well, what if that happens again? How are we going to actually communicate with our customers? How are they going to understand our product assortment, our great deals?" And so, we're really focused on creating that digital-owned audience, not just for e-com, but for all channels. (14.17)

SS

It's interesting. I had an experience myself and, you know, of course, like everybody else I go to Canadian Tire for certain things. And I was looking for a power washer, I think, at the time. And I used your mobile app to find out whether certain brands were being carried at which stores. That was fantastic. Took me right to the nearest location. That was amazing. Then it was a bit of a skip and jump in the experience because I walk into this massive store and now I've got to figure out where to find it. So, you know, interruption. Then finding store staff to help you and actually be knowledgeable at the product. So-so. There's still a ways to go, I think, in terms of closing the gap across these multiple interaction points, if you will. Do you agree with that?

SS

Yeah. I mean, there's definitely room for improvement. I think one of the things we're recognizing is we spend a lot of time marketing products and deals. We haven't spent as much time marketing capability. So, for instance, I actually think we have a pretty best in class wayfinding feature called Fast Find within our Canadian Tire mobile app that many customers probably don't realize we have. So, it'll tell you in-stock. It'll tell you which aisle...you know, all the store layouts are different, but it tracks that. And so, how do we let customers know about it?

SS

Yeah. Totally.

SS

So, I think you'll see as we shift into Q4 and forward, we're going to spend a lot more time talking about our capabilities as enablers to that to improving that experience.

SS

The other trend, I don't know if you've read Doug Phillips, but he's come up with a book about re-imagining retail and he talks a lot about the in-store experience. It strikes me that with your mastery of certain categories that you're so well-known for and that people default to you automatically, that there's also opportunity there to change that in-store experience to make it a destination and more than just simply finding a product. Do you think?

SS

Yeah. No, absolutely. And whether that's showcasing the product in a different way, probably a stronger focus on adjacencies and what we would call internally completing the job or completing the joy. I think there's...if you look at, let's take the word engagement for a moment, in our business it's traditionally meant getting someone to buy something, right? So, you're right in that purchase, you're down the lower funnel, and you're saying, "Okay, we've got great deals. We've got a great event on. You know, now's the time to buy Canadian Tire." Expanding that definition beyond, so pre-purchase and post-purchase and how we engage with customers. Because there's a lot of decision support we could be doing upfront. There's a lot of post-purchase, you know, how to use your barbecue, how to set up your patio, how to enjoy the products you buy from us, that we actually have a lot of great content on. We just need to sort of surface it in a more targeted, relevant way. And that just supports the ability for a customer, as you say, to come in and understand how to get what they want in that trip instead of coming home and saying, "Oh, I forgot to get the wrench. It doesn't fit this and I got to go back." So, we've got to create a better level of confidence for customers going in.

SS

Well, there's that expression you hear all the time, "taking friction out of the experience," right? And it's through sort of the omnichannel consumer. I'm going to shift the conversation a little bit, although I could talk forever about the future of retail because it is fascinating. You know, in the headlights of this crisis. But, so your online sales, to go back to that question, in the last quarter exceeded all of last year. And I think a lot of retailers are discovering this, of course. And I think I've read where it puts you a couple of years ahead of where you thought you might be. You've got, as you said, 10 million members of your Triangle program, and all of a sudden, you start to think, well, that kind of puts you on a collision course with Amazon. I mean, they don't have the

store footprint, you do. They may have the e-commerce engine that perhaps you're still building, but certainly, you, given your footprint in Canada, could be the Amazon of Canada if you chose to do so.

SS

Yeah. And I think internally, we put, you know, like we want to play our own game. We don't want to be the Amazon of Canada. We want to be the Canadian Tire of Canada. And, you know, there's many distinctions for us. Certainly, we feel our brand strength of resonance with Canadians and understanding Canadians, not just inherently having been in business for nearly a hundred years, but the data we have is just incredible. Like I joke with the team that Stats Can should be calling us every month to know what's going on with Canadian Tire. Yeah, we know Canadians, and that needs to translate through product and experience and what we would call discovery. If you know exactly what you want, Amazon's fantastic. You search the SKU and you get what you want. We're not going to compete the same way. We think our local differentiation, the strength of our store network, and the interaction with customers across channel is so key. And we saw it more than ever during COVID where Amazon was slowed down on some of their delivery timelines and customers had immediacy. They wanted immediacy. And subsequently, we saw them coming in droves to the store, particularly when they reopened. And so, yeah. Amazon's formidable. There's no question. But we've got to play our own game. (20.05)

SS

Sure. Well, and you do have these significant advantages. The store proximity, obviously, being a key one. And then the other one you alluded to was just the consolidation of purchases. So, when you say you are pulling people away from your competition, who do you view as your competition?

SS

Well, it depends on the line of business, right? Canadian Tire has a broad set. Sport Chek and Mark's would be somewhat different. We've got a bank, too. So, we've got, on the credit side is we're fighting for top-of-wallet status, and people's... from a credit perspective, you've got competition there. So, I'd say all over the place. I mean, the great thing with the credit business is we can actually track the competition pretty well and see purchase behavior and understand what's going out and kind of link those trends to what they're doing. They

give us a little more insight than many would have. So, it's just about everyone, I guess, you should say.

SS

Yeah. The everything store that has everybody as your competition, of course.

SS

There we go.

SS

So, you were in a panel discussion last year, and I think if I read this correctly, you were quoted as saying that if you have a killer digital experience, you may not need a loyalty program to understand your customers. As the guy running your loyalty program, what did you mean by that exactly? Did you mean that if you go direct to consumer, you're naturally going to get transactions and therefore will have that view that you might not otherwise have? You don't actually need to run a loyalty program? Is that what you meant?

SS

Yeah, I would take it back to, if you look at the traditional definition of what a loyalty program is, it's highly transactional based, right? Like you issue and redeem currency. And we're breaking and trying to break free of that as well. I think it's an important part of our value proposition and our brand and our heritage, but it's got to be more than that. So, if you've got a great digital program and you've got profile information on your customers, you've got great data. It's just how you use that data. And the way your value prop presents to the customer may not be in the form of loyalty rewards. It maybe in targeted discounts or exclusive access to the product, right? So, there's different ways to shape the value prop that go beyond just having a loyalty currency, I think, in the way that people traditionally think about it.

SS

It's mind-boggling to think given, again, the expanse of your merchandising operations, of the number of potential segments that you actually can think about that do business with you. Like you can verticalize or you can just go horizontal. How do you even think about segmenting a base as large as that? Is there a framework that you follow to do that?

SS

Yeah. We primarily look at two kinds of different types of segments. One is certainly just a value-based segmentation. And we look at that from a current and lifetime value perspective. So, we kind of model out potential value on a kind of five-year time horizon. And all of this is done

primarily first at a CTC level, right? So, it's behaviour across our banners and our assets. And the other one's simply behavioural. So, what are people buying, what do their needs states, the intersect with those. It's funny, you run the models and 10 million customers, and you can get a hundred segments, to your point. We landed on 37.

SS

Thirty-seven?

SS

Yeah.

SS

There's a certain exactitude to that. It's impressive.

SS

Yeah, exactly. The data scientists tell me, you know, it's 37.

SS

So, it's not 38, 36. It's 37.

SS

Yeah. I mean, the reality is it's been incredibly useful for grounding the business in the customer, the shape of their businesses. And actually even, I would...you know, we do have 37. They line up to some more macro segments, and our key target within that is we call "the active family." And this is the kind of 30- to 49-year-old family that's got kids, young kids at home that we saw really overperformed during the COVID period. And the merchants looking through the lens of customer is new, right? And checking their strategies against their intent is new. So, if you're introducing a new brand that you think is targeting young adults, and it's not, then maybe our tactics and strategies aren't working. And so, we've really started using segmentation for us to be able to ground people and understanding the performance of their business and how they're...the shape of growth and where it's coming from. Are businesses attracting new customers? Or are they just continuing to retain the existing customer? So, good example, because of the Triangle data and part of why we launched Triangle in this kind of ecosystem was how do we actually move customers across brands? And we know that Sport Chek, in particular, attracts a younger customer. And we said, "Well, how do we..." and we want to grow younger customers in the core Canadian Tire brand, and the way to actually see organically what's happening when we acquire a customer at Sport check. And we actually know they're coming into the camping business that Canadian Tire is an entry point. And so you say, "Okay, that's great to

know." And so, how do we support the strength of our Woods brand in front of customers, right? Not just about promoting camping gear, but getting them to understand what Canadian Tire's value prop is and understanding what they have to offer, and then using the data and our marketing tactics to create those programs and drive customers across. Now you can say, "Oh, okay." So, camping business at Canadian Tire is attracting new customers, younger customers, and they're originating from Sport Chek, right? It's really powerful to understand those paths that customers are taking. And then you can kind of build programs and scale them. So, it's been largely a lesson in performance measurement, to begin with. From a marketing point of view, frankly, we're already down to the one-to-one level. The segments have been utilized from a targeting content perspective, but largely, we're managing customer behaviour at a one-to-one level, including LTV and those pieces.

SS

So, it's interesting. Because, you know, when I have crossed paths with Canadian Tire in the past, there's this language that gets spoken amongst retailers that's, you know, the vernacular is around merchandising. And so, it was always a leap to talk about the very things you've just been talking about, which is customer management. Are you still finding that to be a translation issue to explain sort of that customer management strategy to a merchandiser thinking about products versus customers?

SS

Yeah, it's a process. It's a process. I would say, since Triangle launched, we've made a lot of progress. A couple things that have helped that along is, one, is empowering the merchants to access and see the data on their own. I've always said internally, we will be the biggest constraint to the organization in terms of scaling out the use of customer information because we're fixed capacity. We're here to develop a capability, and using our decision support teams and the merchandise capability teams it's how do we get the information in their hands? So, as they're doing line reviews and reviewing their, you know, yearly annual plans, they've got the data. They don't need to wait, right? And so, we've created kind of internal BI tools that allow access to the information. And then the second is proving the business value. I think, you know, data and analytics, oh, it's always been intangible on how you actually prove the value of that.

So, actually running some pilots or use cases internally to say, “Okay, let’s take the pet business and let’s use customer data to improve the pet business.” So, very mindfully bringing together cross-functional teams in a very organized, process-driven way to actually go to end to end and putting something to market and measuring the value. And that’s gone a long way as well. (28.13)

SS

But let me just segue for a second, because I know that you had, and you have very impressive CV, but part of your experience was working at Air Miles for several years in the retail side of their business. I know Brian [Pearson]. I interviewed him and he was just part of one of these podcasts at an earlier point. Was it in learning that you gained there that you were able to transfer to your current mandate, responsibilities at Canadian Tire that you were able to pull forward and say, “Guys, this is the way we should be thinking about the loyalty program,” for example?

SS

Yeah, it’s an obvious one, but the power of the network effect. I mean, part of our mandate at Air Miles was not only to develop the retail analytics capability but to actually measure and understand the power of Air Miles for our clients. And not just from an individual client perspective, but the power of having the coalition and the cross-shop and being able to see customers going from one sponsor to another. I think that was big learning. I mean, it’s an obvious one, but it very much has influenced our approach at Triangle and Canadian Tire. I would say the leverage we have within Canadian Tire is a lot of the sponsors and partners are our owned assets. And so, the access and the ability to use data in a more unfettered way has allowed us to kind of grow and expand that and see the value of it. And then the second was just, it was the power of the customer data and the way to engage. And I would say going from mass orientation in terms of our marketing and finding a better blend between the mass and targeted channels with that base. I mean, obviously, Air Miles is a big program as well with a lot of kind of contactable engaged customers. And so, the layering, the ability to prove out not just that targeted marketing works, that you can actually get scale out of it. I think there’s always a criticism to say, it’s kind of death by a thousand cuts, right? You’re just, you got to do a lot of stuff. And it’s...I mean, that’s the importance of automation and productionizing the process

around it. But over time, yes, you can scale. It’s very engaging and, obviously, you get a better ROI out of it.

SS

Sure. Of course. So, let’s talk about the Triangle loyalty program a bit more then, and, you know, generally speaking, most loyalty programs aren’t about loyalty at all, really. They’re promotional programs in disguise. And in fact, I think figures I’ve read suggests that fewer than half of loyalty members say it makes them more loyal to the brand. I think that was according to a Forrester survey. Should loyalty programs aspire to become a much more meaningful experience?

SS

Yeah. Well, I guess the first thing I would say about loyalty programs is, internally, we’ve stopped calling it a loyalty program. We have a customer platform here, and I think words are important because when people think of loyalty programs, they do think of the transactional nature and the currency. And we’re trying to shift the thinking away from that. So, the power of Triangle doesn’t need to be Canadian Tire money, although we certainly benefit from the brand heritage around that. I think Canadians love it. And we’ve seen, as we launched Triangle, the halo effect on our other brands, like Sport Chek and Mark’s, of Canadian Tire, many of which...many customers who didn’t actually realize they were part of the family of companies. But once they did, it just created more resonance in terms of it being Canadian and understanding them and the relevance of the brand. So yeah, we’re in the process of shifting from this transactional mindset to this customer engagement. And the value prop for the program, for the Triangle program does not always need to be issuing Canadian Tire money. We should be thinking of everything we do around what would we do for our best customers, right? What would we do in-store? What would we do from an e-com perspective? What would we do as a CTC versus a banner perspective? What might we do with partners? We’re certainly open, and feel that we need to partner to close gaps in terms of how we meet customer needs, how we access new segments. We think that’s a big part of it as well. And again, getting back to that coalition effect, we think it’s an easier way, a more risk-free way to enter in some markets. So, 100% experiences, a value prop that goes beyond traditional rewards is hugely important to focus for us. (32.46)

SS

Yeah. I would think there'd be massive opportunity there for you. And just back to your discussion about segments, just thinking about those high-value segments, and then being able to cluster those by affinities and interests, and then being able to cater to those affinities and interests in things that go beyond simply selling them products must represent a massive opportunity, because those are big numbers, I'm presuming, we're talking about here.

SS

Yeah. No, it does. And that's where, earlier we talked about content and engaging pre and post-purchase. We don't do that particularly well today. It's a massive opportunity because the interest and preferences and behaviors of consumers, and particularly what we've seen in the pandemic around the double down and things they're interested in, right? So, the home exercise setups, the, you know, the barbecue, and the taking up of new hobbies. All of those things are kind of passions, right? Or people are trying to explore new passions. And so, there's such an emotional opportunity connection with the brand that you can create through that that kind of help them, keep them entertained, keep them engaged throughout this that I think it's perfect for our brand.

SS

And just out of curiosity though, like, because you are in charge of the loyalty program, do you have point on re-imagining a lot of this? Or does that belong to somebody else and you work with them? How does that... Because this value proposition development that we're talking about goes way beyond merchandising, and you're traditionally a merchandiser. Who gets to think about these sorts of very exciting things at Canadian Tire?

SS

Yeah. Well, that's our team from...we sort of are accountable for most things customer, including the loyalty program. But again, it's more than us. And, actually, Greg [Hicks], through his appointment of Susan O'Brien to kind of Chief Brand and Customer Officer...

SS

I saw that, yeah.

SS

...is representative of that. And you'll notice that marketing's not in the title. And so, yeah, we work very closely because part of what we're saying here is the Triangle value prop is so deeply connected with the retail value proposition and has to reflect and strengthen it. Our

program has benefited from the Canadian Tire brand, right? Triangle didn't exist three years ago. And so, we need to amplify the retail value proposition. And so, working with the BU heads, the banner heads, to construct that value prop in tandem with customer feedback and testing is how we're going about this. And it's exciting. I think everyone recognizes that it does need to go beyond selling products. Yes, that's how we make money, but the engagement can be so much greater from an end-to-end perspective.

SS

Yeah. Well, I mean, if Tim Horton's, which is now an American company, could claim sort of having a Canadian tattoo on itself, you guys have that greater right to that claim than anybody. I mean, you basically can take it away from them. You are not just the "everything store", you're Canada's "everything store", as you said. There's an emotional attachment there, for sure. That's both legacy, and just operationally, you have that opportunity for sure. But let me ask you this. You run a loyalty program, but how do you actually measure loyalty? Now, obviously, behaviorally, that's an easy thing to do year over year, etc. But attitudinal loyalty, and how do you attach that to individual customers even? Or do you bother? Like what are your go-to composite loyalty measures that you're using?

SS

Yeah, well, I will say one thing. We're very good at tracking customer and customer sentiment, and there's multiple dimensions to that. One is from an experience perspective. We use net promoter score and that's plumbed into all of our channels and endpoints with customers, and including the drivers of the experience. We track brand through and through by segment. Not just the hard, cold measures around brand, but the emotional connection. So, for example, we track a driver called "Cares About Canadians", and the resonance with that metric was off the charts during COVID, with the actions our dealers took, with our relief fund. And so, you can kind of see the kind of causal relationship between the things we do and how that resonates with Canadians. And then I would say more traditional financial metrics, right? So, lifetime value, repeat visit, right, retention rates, the number of active customers, how much is each customer spending. So, you create a composite of those and many of which are tracked at an individual customer level. Eighty percent of our net promoter score tracking is through Triangle members.

We've got a panel of 180,000 Canadians that we can lean on. I think it's actually the...it might be the largest retail panel, proprietary panel in the world.

SS

I would think.

SS

And we leaned on that so heavily during COVID. But in all cases, whether it's product development, a new value prop for Triangle, just their perspective on our marketing approach. Focus groups, we do them virtually now. We do these things called coffee talks. We'll get 10 to 12 customers in a room, and it's not clinical like a focus group. It's just a casual conversation that really helps us fill in context, get commentary and just be close to kind of develop that empathy with the customer, particularly at the executive level, to be close to how the customers' thinking. And so, you bring all those things together and that's what I would call loyalty.

SS

Wow, amazing.

SS

I don't view it as how much we're issuing, how much redeeming and how many times people are scanning the card, right? Those are good program health measures, but they don't define our path forward. (38.50)

SS

Wow. That is the most sophisticated explanation of tracking loyalty I've ever heard in my career. So, that's really impressive. So, you refer a lot to the data that you're collecting. And I have to think, given the diversity of that membership base, the different banners and all the tracking you're doing across the banners, that you must have created a golden record by now. For most organizations, that's the utopian goal, single view of customer. It sounds like you're there with that. Is that correct or...?

SS

We do. Yup. The teams have done a great job of building that kind of central view. Not only that, but moving it into the kind of cloud data environment so that it's readily accessible throughout the organization. And so, yeah, wherever we can tag loyalty, we can connect the customer experience. And so, that's across banner. That's across channel, within all of our owned audience interactions. So, you know, tagged the web so that if someone writes a review, someone logs into the website, someone uses the mobile app three times a month, we know all of that. So yeah, it's a powerful measurement tool, particularly understanding the impact of

our digital activity on in-store. It's been really enlightening to understand how people are using online and how that helps in-store conversion. So yeah, absolutely. We've got some work to do in terms of, you know, it's a high-class problem to figure out how you're going to connect new sources of data, whatever those are. I think we've got such a rich set of data, including the credit card side that allows us to understand purchase and behavior outside of our four walls. We've shifted our focus less on the sort of bringing the data together in the modeling analytics side, which we call the brains. It's, what are the fingers and toes? How do we make sure the endpoints are at scale and we can actually create production scale out of this and move fast? And move beyond kind of test and learn to actually something that's automated and on. Because, as you know, this stuff, it doesn't work well when you're trying to inject manual process into it. And so, our focus has been on the digital endpoints in the store and how we personalize and create relevancy in all those channels.

SS

Yeah. Because your accountabilities include analytics and insight, and I just want to probe a little bit further around that. You are an omnichannel retailer, and that's a pretty broad mandate. And I'm presuming here that you own all of the analytics and insight function as you were describing just now, but you've got merchandising. You've got customer engagement. You have experience design. I'm sure you're doing journey mapping. Big mandate, big remit. How do you draw boundaries around that? How do you organize around all of that? How do you create an information stream that takes the data analytics and presents it in business language people can understand at the end-user standpoint? How on earth do you do all of that?

SS

Well, part of it is, I mentioned this early, is let it be boundless in some ways to begin, right? So, I'll give you a great example. So, we launched internally what we call customer analytics tool, and it's a BI platform that allows people to see their business through, down to the category level, through the customer lens. And we did some power user training. There was a user at the Mark's business that did this incredible insightful view to the Mark's business through a customer lens. And we had no involvement in it. And you see this happening and, yeah, okay. Then some of the definitions weren't exactly how we think about them, but I would say

progress over perfection when it comes to this stuff, and allowing people to just swim in it and not put too many controls around what right is or what the right definition is. It's just allowing the learning to happen. And then, yeah, like we want to organize the way we think about the business in terms of planning and strategy and targets from a customer perspective. And those will be the sort of guiding principles that allow people to make decisions. And we've had some practice at that. We spent at least a couple years, and Greg, more so transparently as he did in our latest earnings call, is talking about the segments. He's talking about our growth from a customer perspective. And he's very supportive of shifting towards this. And so, people hear that. They're curious and want to learn about it. We're providing the tools to allow them to do that. We're in the background. Our team is doing all the plumbing and automation, right, to just make it come alive. (43.47)

SS

And do you own the technology budget around that, or do you still have to work with IT to ensure that you have that right infrastructure in place? Do you have some freedom and latitude that would determine, "Hey, I need that, I'm going to add it to my stack?"

SS

Yeah. It's evolved. It's evolved. And I would say, like for instance, three years ago we would not have had data engineers on our team. And today we do, you know. Those would have sat in IT. And so, it's become a little more of a symbiotic team working together where it's not them off doing something without our input and vice versa. So, it actually has worked quite, quite well and allowed us to, particularly on the data work and getting customer data into our cloud environment and connecting the endpoints, we would not have been able to do that if we did not have the capability within the business teams as well as the IT team. And so, yeah, the capital, you know, kind of indifferent to where it sits at this point, because the prioritization is set in the right way and people understand, you know, what we should be doing around the customer and its value. So, we don't get into budget debates. We get in the how do we get the work done?

SS

Wow, it's interesting change. Boy, in my long career, I can tell you that marketing and IT, we're not co-partners in anything. So, it's very refreshing to hear that scenario. We

haven't mentioned AI in this conversation yet. I know that's a, I think, a personal subject of yours. How does AI fit into the picture? You talked about automation quite a bit, being able to automate some of these functions. Is AI allowing you to actually do a lot of that?

SS

Yes. Yeah. There's a few ways from a marketing perspective. You know, we issue seven million one-to-one offers every week to customers and that's completely machine learning-driven, right? From the origination of what to offer customers to the process of ingesting what we learned from their behavior off of those offers, that is all built around that framework. We've got an internal group that also focuses on AI application to beyond marketing. So, just everyday process that, you know, as a company that's been around a while, you accumulate these manual processes all over the place that becomes so ingrained that it's hard to detach yourself from it. So, it's funny, just in simple little things, you know, how do we engage with dealers in a process that is not email, is automated, you stack those up and there's huge payoff in terms of cost savings, in terms of freeing up people to work on higher-order work. And so, that team is focused on that. So, it's early days. And, you know, our focus is how do you always ingrain customer level information within that? So for example, from a supply chain perspective, as we're thinking about and we do very much today, in-stock position, how are we layering customer, high-value customer data on top of that to say, you know, "This SKU is paramount to your best customer." And you don't know that today, and it differs by store, but if you did know that you might change your tiering and your emphasis on stock position. And so little things like that, they seem obvious, but you just got to get the data plugged in and try it. (47.21)

SS

Has it become for Canadian Tire more of a holistic planning exercise now? You talked earlier about looking across the span of the relationship in multiple banners and brands, but when it comes right down to your planning models, are you still, you know, wedded to sort of the traditional planning approach or is that had a big impact on the way you organize yourself and on the way strategy and plans are developed and budgeted and funded for and deployed? Is there a big impact that way?

SS

Yeah. Well, the first impact, as I mentioned, is prioritization within how we invest, right? So, that's kind of order number one. From there, you know, we think about it like portfolio strategy, like you would if you were in the merch world from a category perspective. Your portfolio is just at a different level. It's portfolio of customers, portfolio of banners, and, you know, it goes down from there. And so, if we go into 2021 and we say the "active family" is our priority customer, right, and so we shape our understanding of their needs, how those map back into the jobs and joys we talked about, how categories map into those. And you do some white space exercises, and you say, "Okay, I've got some gaps here. We can extend assortments. We can do partnerships," right? So, it all starts there and it flows down. We're still transitioning into that. I think we're actually a much better position this year, particularly with Greg's leadership and Susan's position because it just creates more cohesiveness around, I would call horizontal thinking in the business rather than vertical thinking. And it's forming, but the data's there, right? So, the ability for us to quickly support those conversations, improve value and measure value as we go to market is there.

SS

And what about changing people's mindsets, shifting them from old school thinking to this new way of looking at the business? I mean, obviously, there's a cultural transition there, but is there a requirement to go out and source, find new talent, new skillsets, new fresh thinking in order to turbocharge all of this transformation that you're going through?

SS

Yeah. It's a great question. And I'll go back to what I said in this horizontal thinking approach. So, if I'm a merchant, or if I'm in marketing, I'm not just thinking about marketing and merchandising. I understand the customer journey and I can take in data and synthesize that. So, the kind of, I would say analytical mindset, not the data scientist, but the ability to synthesize information, but also how you connect that, not to just what you do, but how you collaborate with other parts of the organization to create action, right, with the customer. So, a merchant, it might not be all about adding new product lines or brands. A marketer, it may not be all about putting a promo in front of a customer. And so how do you bring those teams together? As I talked about earlier, the use cases have helped us do that. So, we're very

deliberate around going out and testing and trying things as a team. But yeah, I mean, the use of information, empathy with the customer as well as just understanding retail fundamentals, there's no question, it's all changed.

SS

Yeah. So, Shawn, this has been an amazing conversation. You are amazingly articulate. I have to say I've done 14, 15, I've interviewed many people in my lifetime. You are an incredible spokesperson for the Tire. So, I'm not only impressed by what you had to say, but how you had to say it today.

SS

I appreciate that.

SS

So, you know, it's been a treat talking to you today. A true...I don't say this easily. I'm not an obsequious person. I love this conversation because I preach it myself in my day-to-day job. So to hear a practitioner on the client-side talking about the same thing is very encouraging. So, just want to thank you for the time you gave us today. It's been amazing.

SS

Appreciate it, Steve. I mean, as I said, it's just such a joy for me to separate from the day to day and talk about it, and you asked great questions so it makes it easy for me.

SS

Okay. It was a delight, Shawn. Thank you again. Thank you.

SS

Absolutely. Thanks, Stephen.

SS

Thank you very much.

SS

Take care. Bye.

That concludes my interview with Shawn Stewart.

As we learned, Canadian Tire has successfully made the shift from a traditional general merchandiser, entirely reliant on in-store sales, to an omnichannel retailer, learning to master the digital channel. With its increasingly sophisticated capability to interact with shoppers past the checkout terminal, and blessed with the trust and affection of a loyal shopper population, the company is well positioned to carve out an even bigger role in people's lives – or as it puts it, "to be there for life in Canada". The data being collected on what shoppers buy, how they interact, and their degree of brand engagement across all of the store's

Podcast

banners is bound to yield deep insights, leading to smarter category decisions, assortment choices, product innovation and, above all, more meaningful communications. After almost 100 years in business, Canadian Tire is determined to reimagine retailing in the era of the omnichannel shopper.

You can find past episodes of this podcast on CustomerFirstThinking.ca where you'll also find articles, ebooks, strategic frameworks, video and more on the transformation of marketing.

In closing, a big shout-out to Justin Ecock for his contribution to making this podcast happen. Until next time, thanks for listening.



Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.