Does a distinct society need distinct groceries?

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Abstract:
Quebec’s grocery business is a backwater, populated by small, outdated stores that would be considered antiques elsewhere in the country. Yet its grocers enjoy some of the fattest margins in the country, more as a result of high prices than efficient operations.

Full Text:
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Is it a good thing for the Quebec economy to have a [supermarket] chain that is not from Quebec to lose control, in fact, of our food distribution networks?” Premier Lucien Bouchard asked during Quebec’s recent election campaign. The answer to Bouchard’s rhetorical question is an unqualified yes. Sheltered from outside players, the Quebec grocery business has grown fat and uncompetitive. The ugly truth is that just about anybody could do a better job than the province’s current crew of grocers.

What Quebec’s grocery business needs is a Quiet Revolution of its own. The sector is a backwater, populated by small, outdated stores that would be considered antiques elsewhere in the country. The average Quebec grocery store occupies only 19,700 square feet, compared with 28,600 in the rest of Canada. The average Quebec grocer carries only 12,660 items, compared with the national figure of almost 18,000. Quebec stores offer almost nothing in the way of no-name, low-cost private label products. Yet its grocers enjoy some of the fattest margins in the country, more as a result of high prices than efficient operations.

Over the past decade, non-Quebec companies have made three attempts to take over Quebec grocery chains. The first two attempts, including a 1989 bid by Loblaw Cos. Ltd. for the Steinberg’s chain, were thwarted by nationalists bent on finding “made in Quebec” solutions. Now Loblaw has finally succeeded in breaking through the nationalist wall with its recent takeover of Montreal-based Provigo Inc.

Shoppers may be the biggest winners from the deal. Loblaw is planning to pour hundreds of millions of dollars into renovating Provigo’s outdated stores. Prices should fall as the company brings its tight operating discipline and highly successful private labels, such as President’s Choice, to Quebec store aisles. The Quebec pensioners who belong to the Caisse de depot et placements du Quebec should also
welcome the deal. The giant pension fund extracted full value for its 36% stake in Provigo. In fact, the only losers in this deal are those who wish to maintain Quebec’s intermittent hostility toward out-of-province investors.

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