



## Canadian Tire's Secret Weapon

### Description

Flash back 20 years: **Tesco** ([LSE:TSCO](#)) was in a distant second to Sainsbury's in the UK grocery market. It was known as the store that "piles it high and sells it cheap". But Tesco was about to launch a new loyalty program, and planned to use the data from the card to serve its customers better.

Together with loyalty program manager Dunnhumby, Tesco became a pioneer in modern loyalty marketing. The company rocketed past Sainsbury's in 1996, and today is still the market leader.

Tesco made full use of its newfound data. For example, there are certain products that may not sell well, but are important to Tesco's most loyal shoppers. Thanks to the purchase data, Tesco knows not to destock those products. If a profitable customer switches to a rival grocer, Tesco can tell when that happens and offer discounts in an effort to lure the customer back. Tesco can even tell when one of its customers has a child, and tailor its offerings accordingly.

Nearly every other large retailer has tried to imitate Tesco's success. Arguably Canada's most successful imitator was Shoppers Drug Mart. When **Loblaws** ([TSX:L](#)) acquired Shoppers in July, the Optimum program and its data was often cited as a primary motivation.

Ironically, Canada's most storied loyalty program is today one of the country's least effective: Canadian Tire Money. Although the paper notes have driven customers back to **Canadian Tire** ([TSX:CTC.A](#)) stores for decades, they do not generate any data. Thus Canadian Tire has no idea which of its customers are the most loyal, and which ones just cherry-pick the best deals from the flyer.

This makes Canadian Tire's continued success all the more impressive. It is the market leader in many of its categories, including auto parts and sporting goods. But in many other ways, Canadian Tire is in a similar position as Tesco was in the early 1990.

Canadian Tire is hoping that history will repeat itself. The company is piloting its own loyalty card program in Atlantic Canada, and has also emulated Tesco by hiring Dunnhumby. The program has yielded promising results so far, but still has not garnered as much media attention as Canadian Tire's other efforts this year, such as its creation of a REIT in May.

But that could all change if Canadian Tire is able to emulate Tesco. And if that happens, Canadian

Tire's shareholders may eventually forget about the REIT altogether.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. LSE:TSCO (Tesco PLC)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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