

# Retail Sector in Prince Edward Island

February 2011

## INDUSTRY HIGHLIGHTS

- In 2009, there were 8,800 persons employed in the retail sector in PEI and women comprised a slight majority, at 57%. This is similar to the national average. Retail trade is the largest private sector employer in the province?
- Retail spending in the province has been resilient in light of the more recent economic challenges. Since the first quarter of 2008, retail sales in PEI expanded by an average quarterly rate of 2.6% to 2010. This is more than double the national rate (1.2%), and represents the second highest growth rate in the country, behind Newfoundland and Labrador.
- Retailers in PEI generated over \$1.7 billion in sales in 2009.
- The share of the retail market in Canada has shifted in favour of chain stores over the past decade, which increased by nearly 10 percentage points to 47% in 2008.
- Retail trade is a very seasonal sector in PEI. In 2009, employment varied from a low of 7,500 in the Winter months to a high of 10,400 in October, which is a variation of 39%. This is significantly higher than the average variation for the other Atlantic Provinces, of 15%.
- According to PEI legislation, individuals or businesses purchasing taxable goods in another province or country (by any method) for consumption or use in PEI are responsible for the payment of PST on those purchases. Even if HST or another jurisdiction's sales tax has been paid at the time of purchase, PST must be paid when the goods are brought into PEI.

### Did you know...???

*...that 20 cents out of every dollar spent on retail in PEI is in supermarkets?*

*...that articles of clothing and footwear are typically NOT subject to PST?*

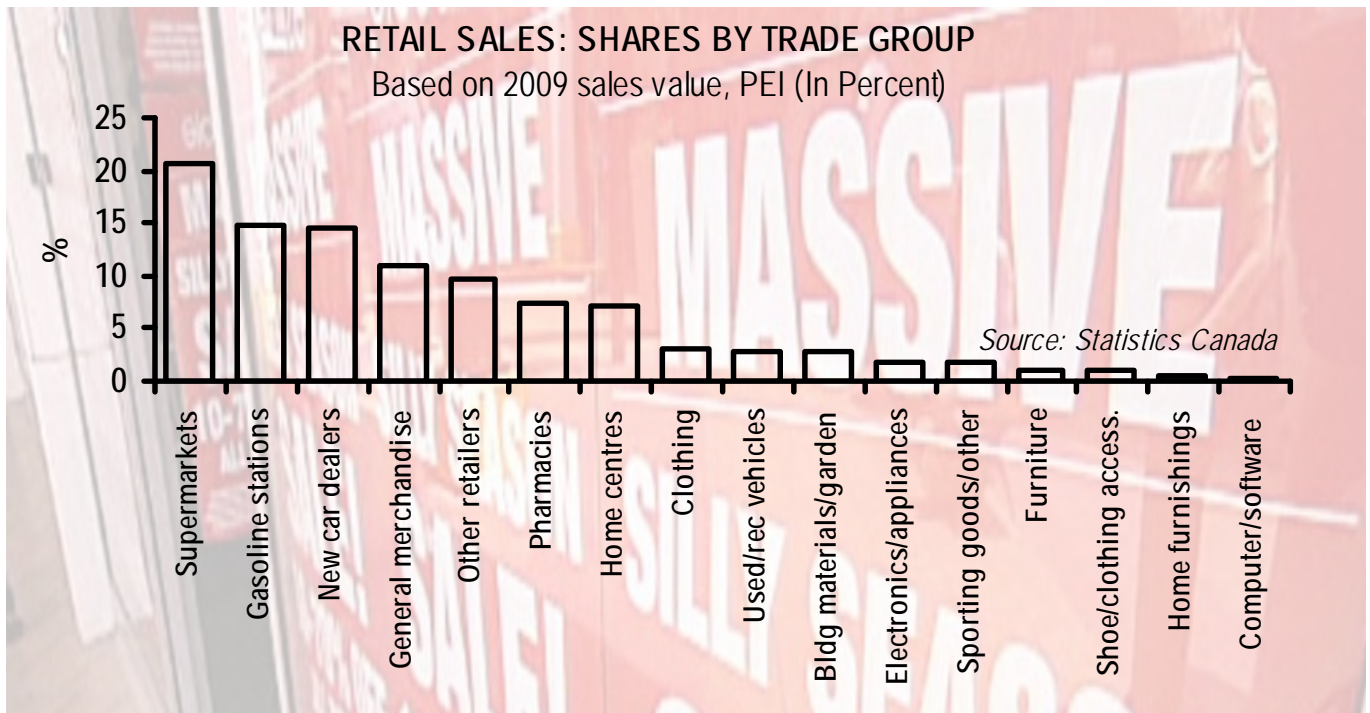
*...meal replacement products (i.e. shakes and bars) sold in PEI are exempt from PST?*

*... PST is applied not only on the retail price of a purchase, but also on the GST value as well?*

*...that the value of retail spending in PEI declined by 1.3% in 2009 as a result of the recent economic downturn?*

*... as of December 24, 2010, retailers in PEI are allowed to open on Sundays year round.*

## INDUSTRY CHARACTERISTICS / STAKEHOLDERS



### RETAIL SALES IN PRINCE EDWARD ISLAND

Retail trade group (Estimated number of registered businesses in group) Examples of local businesses

**Supermarkets** (10) Atlantic Superstore, Sobeys, CO-OP, Price Chopper

**Gasoline stations** (125) Irving, Esso, Petro-Canada

**New car dealers** (25) Honda, Toyoto, GMC, Mazda, Kia

**General merchandise** (35) Wal-Mart, Zellers, Winners

**Other retailers** (400) Florists, Staples Business Depot, COWS, Hallmark, Pets Unlimited, Cash Converters, Froggies

**Pharmacies** (35) Shoppers Drug Mart, Friendly Pharmacy, Lawton's Drugs

**Home centres** (15) Chandler's Home Centre, Home Depot, Sherwood BMR

**Clothing** (150) Dow's Mens Wear, Cotton Ginny, Reitmans, The Children's Exchange, Roots

**Used/rec vehicles** (160) Hillside Motors, Toy Master Motorsports, Capital Auto Supply, Parts For Trucks

**Bldg materials/garden** (70) Home Hardware, Discount Window & Lumber, Color Your World

**Electronics/appliances** (30) Future Shop, The Source, MacArthur's Appliances, PEI Photo Lab

**Sporting goods/other** (160) Source for Sports, SoccerStop, Going Fishing, Great Hobbies, National Music, Coles

**Furniture** (75) Leon's, M&M Furniture, Mattress World, Sears, The Brick

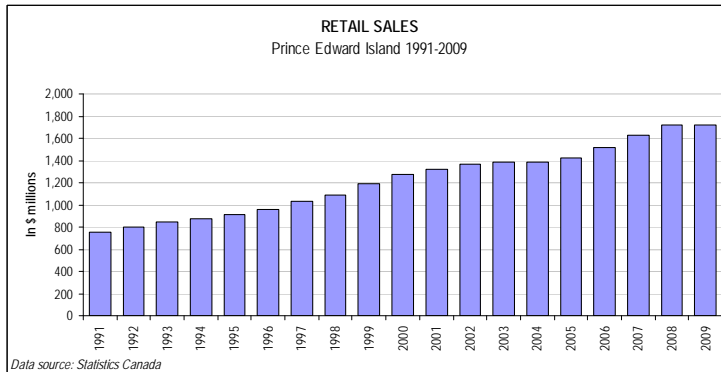
**Shoe/clothing access** (15) Payless Shoes, Rockport, Proude's shoes, Caseley's Bridal Boutique, The Wedding Place

**Home furnishings** (55) Hambly's Home Furnishings, Paderno, Second Glance Interiors, English Butler

**Computer/software** (55) Future Shop, Microage Computer, Garden-Isle Computing, Datarite

# INDUSTRY TRENDS AND CHARACTERISTICS

## Retail spending in the province softened in 2009

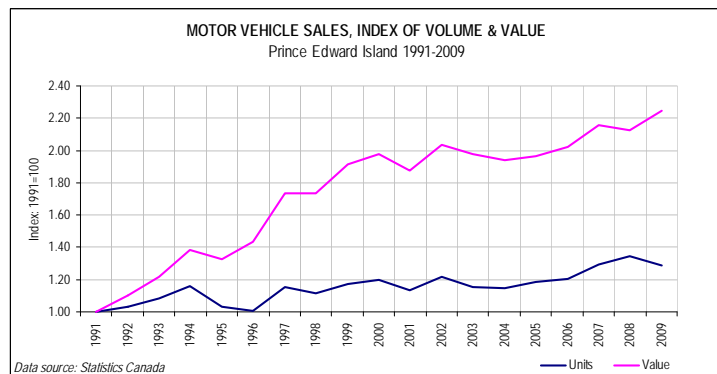


The value of retail sales on Prince Edward Island totalled \$1.7 billion in 2009, a slight decrease from the previous year. The recent economic downturn, coupled with a reduction in oil prices, resulted in a slight reduction in sales in 2009. This follows average annual growth of nearly 6% in the previous four years. Increased spending at

supermarkets (+4%), pharmacies (+7%), and general merchandise stores (+3%) were largely offset by a single reduction in spending at gasoline stations (-9% or -\$24 million). This was entirely a price effect as world crude oil prices declined in 2009 translating into cheaper gasoline pump prices (19% lower compared to 2008). With respect to other trade groups, sales were also lower at hardware stores (-7%) and at used/recreational motor vehicle establishments (-10%).

## Consumers purchased fewer passenger cars in 2009

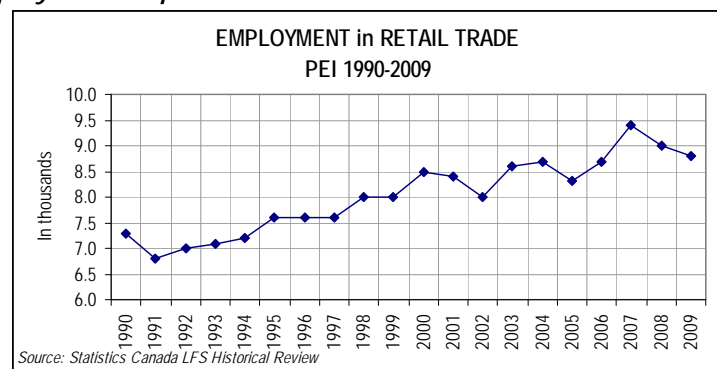
One of the larger components of retail trade in PEI is new motor vehicle (NMV) sales-which comprised 15% of the total. In 2009, NMV sales valued \$144.7 million, an increase of nearly 6% over the previous year. This includes sales of both passenger cars and commercial vehicles. The value of passenger car sales was \$67 million in 2009 (-8% from 2008) and commercial vehicles totalled \$77 million (+22%).



The graph above illustrates the growth in both the value of NMV sales as well as the volume (i.e. number of vehicles sold) over the past two decades. As can be observed, the value of sales has outpaced volume (especially over the 1995-2000 period) thereby suggesting that consumer tastes have trended toward higher-priced vehicles (i.e. foreign made passenger cars) over time.

## Retail trade: largest private sector employer in the province

In 2009, there were 8,800 persons employed in retail and comprised nearly 13% of total employment in PEI. The more recent economic downturn reduced employment levels for the sector, by 2.2% compared to 2008. Average annual employment peaked in 2007, to 9,400. The most ever employed in the Island retail sector occurred in July 2007 when employment reached 10,500 persons.



## INDUSTRY CHALLENGES

---

*(The following summaries were derived from industry consultations)*

***Influence of economic conditions on local retailing industry*** The retail business (and overall supply chain) is greatly dependent on the health of the economy. Challenging economic conditions impact retailers in various ways, such as: higher transportation costs for product delivery; inventory management challenges (i.e. excess inventory due to low turnover, reduced sales); shifts in consumer tastes (i.e. the substitution effect or shift in consumer purchases from high-end to more economical brands).

***Seasonality and inventory management*** The retail industry is very seasonal and sales generally spike up during holidays and special occasions (i.e. back to school, etc). The challenge for retailers in this regard is to place orders in the present based on 'expected' consumer demand in the future. Large scale retailers typically operate on a 6 month buying schedule which means that shipments are pre-ordered up to 6 months in advance. If the economy were to slow, as it did in late 2008, retailers face the risk of having too much inventory on hand. The excess supply would normally be sold at a discount which reduces profit margins for the retailer.

***Increases to minimum wage rates*** An increase to the minimum wage rate results in higher operating expenses for retailers and subsequently, reduced profit margins. The "double-edged sword" in this regard is that retailers would have to absorb most of the costs in order to keep prices low and stay competitive in the marketplace.

***Cross-border shopping; Internet sales*** A stronger Canadian dollar vis-à-vis U.S. dollar, may entice Canadian consumers to shop in the U.S. as opposed to buying local. Disposable income earned in PEI but spent out-of-province is considered a "leakage" to the local economy (i.e. reduces sales volume and ultimately, profit margins for local retailers). The growing trend in online shopping also creates challenges for local retailers.

***Loss-prevention and organized crime*** Retailers in Canada have lost an estimated \$3.6 billion in sales due to illegal activity. This ranges from simple acts of shoplifting and credit card theft to highly organized offences such as "pin pad code" thefts (i.e. pin pads are rigged in a way that transmits pass codes electronically to a crime group for the creation of fraudulent swipe cards).

***Tax administration*** The day to day administration of business tax programs, as well as the implementation of new tax legislation, can be cumbersome for retailers. Examples include the administering of provincial sales tax exemptions on certain goods; the filling out of forms for various tax credits; and so on.

## INDUSTRY INITIATIVES

---

*(The following summaries were derived from industry consultations)*

***Initiatives in place to improve productivity in retailing; "outside the box" thinking*** Retailers have adopted certain technological advancements to help make operations more productive and cost effective. For example, "point of sale" technology provides real time tracking of inventory adjustments; trends in product sales; and so on. "Gift cards" have been a popular strategy for local retailers, which yield a number of important benefits: requires customer to shop at that store; typically sells more than the face value of the gift card; and the face value of the card may not be fully liquidated.

***Loss-prevention initiatives*** Financial institutions have adopted advanced technological initiatives (i.e. "chip cards") to make electronic transactions more secure. Other initiatives include: develop

and educate staff on a loss-prevention program; increase security presence in the retail establishment; and the hire of certified security officers.

***Environmental initiatives for cost effectiveness*** To reduce long term operating expenses, the retail industry has moved toward making operations more environmentally sound. Initiatives range from the promotion and sale of reusable grocery bags to conducting tax-friendly energy audits (i.e. switching to higher efficiency lighting, using better insulation, etc.).

## ***OCCUPATIONAL HIGHLIGHTS***

### ***Occupations in Retail Trade***

<p><b><u>Retail Trade Managers (NOC 0621)</u></b>  <i>plan, organize, direct, control and evaluate the operations of establishments that sell merchandise or services on a retail basis.</i></p>	<p><i>Employment Prospects to 2012 is Good.</i>            Average annual income: \$41,145            *Employed (2006 Census): 1,410            Age composition:15-24(8%);25-54(69%);55+(22%)</p>
<p><b><u>Retail Trade Supervisors (NOC 6211)</u></b>  <i>supervise and co-ordinate the activities of workers in the following unit groups: Retail Salespersons and Sales Clerks (6421), Cashiers (6611), Grocery Clerks and Store Shelf Stockers (6622) and Other Elemental Sales Occupations (6623).</i></p>	<p><i>Employment Prospects to 2012 is Fair.</i>            Average annual income: \$26,630            Employed (2006 Census): 280            Age composition:15-24(24%);25-54(65%);55+(11%)</p>
<p><b><u>Retail Salespersons and Sales Clerks Chemists (NOC 6421)</u></b>  <i>sell, rent or lease a range of technical and non-technical goods and services directly to consumers. They are employed by stores and other retail businesses , as well as wholesale businesses that sell on a retail basis to the public..</i></p>	<p><i>Employment Prospects to 2012 is Good.</i>            Average annual income: \$25,495            Employed (2006 Census): 2,400            Age composition:15-24(34%);25-54(49%);55+(17%)</p>
<p><b><u>Cashiers (NOC 6611)</u></b>  <i>operate cash registers, optical price scanners, computers or other equipment to record and accept payment for the purchase of goods, services and admissions. They are employed in stores, restaurants, theatres, recreational and sports establishments, etc.</i></p>	<p><i>Employment Prospects to 2012 is Good.</i>            Average annual income: \$14,321            Employed (2006 Census): 1,460            Age composition:15-24(58%);25-54(35%);55+(7%)</p>
<p><b><u>Grocery Clerks and Store Shelf Stockers (NOC 6622)</u></b>  <i>pack customers' purchases, price items, stock shelves with merchandise and fill mail and telephone orders. They are employed in retail establishments, such as grocery, hardware and department stores, and in warehouses.</i></p>	<p><i>Employment Prospects to 2012 is Good.</i>            Average annual income: \$18,410            *Employed (2006 Census): 455            Age composition:15-24(51%);25-54(45%);55+(4%)</p>
<p><b><u>Other Elemental Sales Occupations (NOC 6623)</u></b>  <i>includes workers who sell goods or services during home demonstrations or by telephone soliciting, retail exhibitions or street vending.</i></p>	<p><i>Employment Prospects to 2012 is Good.</i>            Average annual income: \$20,875            *Employed (2006 Census): 45            Age composition:15-24(25%);25-54(50%);55+(25%)</p>

## **INDUSTRY CONTACTS**

---

### **LOCAL**

#### **Government of PEI**

Taxation and Property Records, P.O. Box 1330 Charlottetown, PE C1A 7N1 Telephone: (902) 368-4171 Fax: (902) 368-6164 Email: [taxandland@gov.pe.ca](mailto:taxandland@gov.pe.ca), [www.taxandland.pe.ca](http://www.taxandland.pe.ca)

### **NATIONAL**

#### **Retail Council of Canada**

1255 Bay Street, Suite 800 Toronto, Ontario M5R 2A9  
Tel: (416) 922-6678, Fax: (416) 922-8011 Toll-Free  
Tel: 1-888-373-8245, [info@retailcouncil.org](mailto:info@retailcouncil.org)

#### **Retail Merchants' Association of Canada**

10 Milner Business Court, Suite 401 Scarborough,  
Ontario, M1B 3C6, Tel: 416 293-2100, FAX: 416 293-  
2103

*Atlantic Office: P.O. Box 9410, Station A Halifax, N.S.  
B3K 5S3 Tel: (902) 406-4350*

#### **Industry Canada: State of Retail: The Canadian Report 2010**

[http://www.ic.gc.ca/eic/site/retra-comde.nsf/eng/h\\_qn00281.html](http://www.ic.gc.ca/eic/site/retra-comde.nsf/eng/h_qn00281.html)



---

*For more information relating to this report, please contact: Jamie Dooks, Labour Market Economist, Service Canada Regional Office, 85 Fitzroy Street P.O. Box 8000, Charlottetown, PE C1A 8K1; Tel 902.566.7750, Fax 902.368.0925; [jamie.dooks@servicecanada.gc.ca](mailto:jamie.dooks@servicecanada.gc.ca)*