

Lessons learned from brands and retailers selling across the US-Canada border

Article

Moving across the US-Canada border can be the first step toward international expansion for retailers.

Canadian brands like lululemon athletica and Aritzia are thriving in the US. Meanwhile, US-based companies Lowe's, Nordstrom, and Bed Bath & Beyond recently announced they were leaving Canada. And let's not forget Target's famous Canadian failure.

"A lot of Canadians crossed the border into the US states to shop at Target, and they loved it. They thought it was a better Walmart," our analyst Paul Briggs said on a recent episode of our **"Behind the Numbers: Reimagining Retail"** podcast. "But the [Target] experience in Canada was not the same. They had supply chain issues and merchandising issues that they could not overcome, and they basically packed up shop and that was a high-profile exit of the market."

Here's a look at how brands have fared across the US-Canada border, and the lessons you can learn from them.

Lowe's and The Home Depot: The hardware store entered Canada through the acquisition of home improvement retailer Rona, but announced the **sale of its Canadian business** late last year. Yet competitor The Home Depot remains successful in Canada, due to a few advantages.

- The Home Depot beat Lowe's to Canada, where its main competitor was Canadian Tire. At the time, there was still room for another giant hardware store, said our analyst Suzy Davidkhanian.
- "Home Depot had a real niche play in Canada, including courting contract businesses or contractors as part of their consumer base," said Briggs.

Lesson learned: When entering a crowded space, retailers need to find a way to differentiate themselves. The Home Depot found one. Lowe's did not.

Nordstrom: The department store announced **the end of its nearly decade-long Canadian endeavor** in March.

- Canada doesn't have a lot of malls, which presented a challenge for Nordstrom. "If you think about Walmart [and] Costco, they're in these strip mall sort of centers," said Davidkhanian, pointing to the retailers' comparative success. "Even Best Buy is more of a strip-mall-style retailer than Nordstrom."
- Since most Canadians live in the southern part of the country, cross-border shopping is huge. Nordstrom was unable to provide a unique appeal for its Canadian stores over its US ones. Without discounts or unique offerings, "it wasn't worth your while. You were better off cross-border shopping," said Davidkhanian.

- The store also couldn't gain an edge over "entrenched competitor" Holt Renfrew, added Briggs.

Lesson learned: Different markets don't just affect where people shop, but how they shop. Without a mall infrastructure, mall-based stores don't have the same appeal.

On the flip side, several Canadian brands have had success moving into the US.

Aritzia: The "hottest fashion chain in the US," as noted by Bloomberg earlier this year, has been around since the 1980s in Vancouver, but only recently built up a strong brick-and-mortar footprint in the US.

- "I think a big part of the story of Aritzia is Gen Z, which we call Gen Zed in Canada," said Briggs. "[Aritzia brands] their clothing as everyday luxury and I think that it comes at a price point that appeals to younger consumers."
- Briggs pointed to Aritzia's success using familiar Gen Z marketing tactics, such as leveraging influencers and pushing content on TikTok.

Lesson learned: Even an older brand can make a splash by treating its entry into a new market as a branding opportunity.

Lululemon: The athletic wear brand **beat expectations in its last reported quarter**, and remains successful even as it **mulls a Mirror sale** and returns to its roots in apparel.

- Success for lululemon came from beating US brands to market. "That athleisure category of apparel, I think lululemon was at the very forefront of tapping into it and is a big reason why it had appeal in the US and internationally," said Briggs.

Lesson learned: Carving a new niche in an existing market can pay off. But brands need to make sure they're reaching customers at a time when they're open to change.

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