

METROPOLITAN ECONOMIC  
MOVEMENT

RELAUNCH **MTL**



# ENHANCED ACTION PLAN TO STRENGTHEN THE RETAIL SECTOR

Co-developed by



Conseil québécois  
du commerce de détail

**mmode**

LA GRAPPE MÉTROPOLITAINE DE LA MODE

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## Michel Leblanc

President and CEO

- Chamber of Commerce of Metropolitan Montreal

Over the years, the Chamber has repeatedly taken a stance on the importance of ensuring the city's commercial vitality, from destination businesses to major downtown arteries. We have intervened in favour of direct support for retailers, tax and regulatory relief, and quality urban development. Entrepreneurs and developers play a fundamental economic and social role in our daily lives and the vibrancy of our neighbourhoods, as do the visitors who choose the city for its shops, fashion and food.

The retail sector, especially fashion and foodservice businesses, is being disrupted by the pandemic. The crisis has turned household budgets upside down, causing unprecedented runs on some items and total abandonment of others. It has driven major names to the brink of collapse and has been a brutal setback for restaurateurs because of public health regulations. In all cases, the industry has had no choice but to adjust quickly to reshape the customer experience and respond to the rapid rise of e-commerce.

To do so, smaller companies and big players alike have had to fast-track their transition to the digital marketplace, depending on their circumstances and requirements. It has therefore become essential to innovate and to adapt business models. Sustained help from organizations that support entrepreneurship can make all the difference now to ensure a successful transition and allow businesses to recover from the crisis.

Calls to buy local have also increased in recent months. This is a major movement that must be promoted and organized more systematically by providing a special platform for our businesses and the products they offer. At the heart of our concerns, the revitalization of the city centre, which has been so badly hit by the crisis, requires a collective effort and the right resources for the job.

Relaunch MTL promotes courses of action to seize all these opportunities and contribute to the vitality of our retailers and restaurateurs, for the benefit of everyone, throughout the city.



## Debbie Zakaib

Executive Director

- Mmode, the Metropolitan Fashion Cluster

We often say that the sector is changing, that it is evolving. Quebec's 17 regions are home to 45,000 business establishments, while one out of every two retailers is located in Montréal. This wealth of expertise is one of the reasons why many of these retailers do things differently. They are continually innovating and doing everything possible to stand out and improve the sector.

The vitality of the retail sector in recent years has contributed significantly to the Quebec economy, as much in the Greater Montréal area as elsewhere, considering that one out of every three dollars flowing into the economy transits through our retailers. The sector is an essential component of economic growth since it alone accounts for 6% of the GDP and 12% of jobs: this is the direct economic footprint of retail in Quebec, which employs approximately 480,000 people, in addition to some 40,000 self-employed workers.

We cannot talk about retail without mentioning the fashion industry, which employs close to 83,000 Quebecers, 58% of whom work in the greater metropolitan area, at all levels of the value chain, from design to direct sales, not to mention production and wholesale. It is thanks to the expertise of both large



## Stéphane Drouin

General Manager

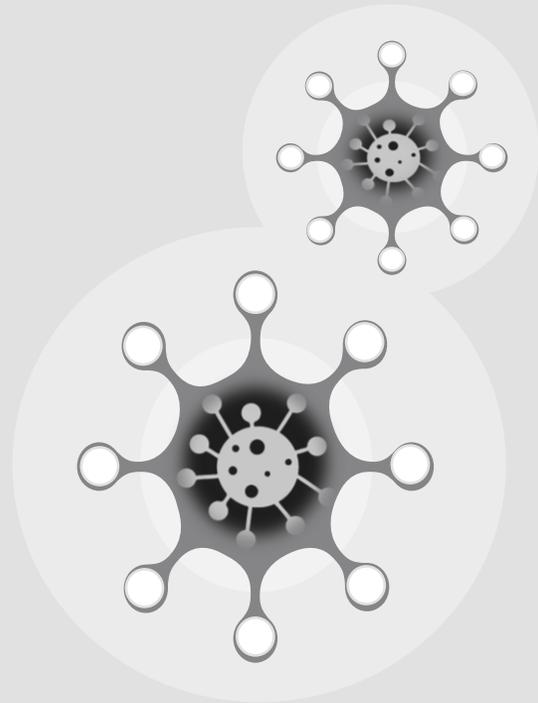
- Conseil québécois du commerce de détail

and small stakeholders as well as the rich heritage of our industry that Montréal has been able to solidify its presence as a fashion city on the world stage in recent years. The high number of national head offices in Montréal and the variety of Quebec retailers in our shopping centres and on major thoroughfares infuse the city with a dynamism that makes it an economic powerhouse.

We are confident that by working together, retailers from all sectors and their peers will seize opportunities to address technological, fiscal and sustainability issues in order to successfully relaunch the sector.

# SUMMARY

## The pandemic has had a significant impact on the retail sector



### SUMMARY

#### STATE OF AFFAIRS BEFORE COVID-19

- Retail and foodservice: **important socio-economic drivers in the Greater Montréal area.**
  - Retail is a major contributor to Greater Montréal's GDP, (**\$64 billion in sales** in 2019 and **12% of jobs** in the CMA). Montréal is the **second ranking city in Canada** in terms of sales.
  - The foodservice sector represents **\$14 billion in sales**. Some 33% of the province's establishments are located in the CMA. The sector is a pillar of the agri-food chain, in addition to contributing to Montréal's global reputation as a foodie destination.
- Retail and foodservice are **key employers for students** and lower-skilled categories of workers. The sector contributes to the **social integration** of a relatively less qualified portion of the working population, and in some cases, allows employees to advance within the company. In this way, the **head offices** of companies in these sectors contribute not only to **maintaining skilled jobs, but also to creating them.**
- Before the pandemic, both sectors were facing a number of growth issues, such as profitability concerns related to **fixed costs** (leases in particular), a **shortage of qualified staff, insufficient digital maturity** in a context of growing e-commerce and an **inevitable transformation** of its model, due to changes in consumer behaviour. The pandemic has accentuated these issues and drastically accelerated the digital transition.

#### MAIN REPERCUSSIONS OF THE CRISIS ON THE SECTOR

- The **health crisis** has had a significant impact on the sector, particularly during periods of lockdown, when many establishments that were considered non-essential had to close. Health requirements resulted in **higher operating costs in a context of sharply declining sales** for those who were forced to close their doors.
- The economic uncertainty associated with the pandemic has led to a **reorganization of household budgets** towards goods and services that are considered more essential. **Some sectors** (the fashion industry in particular) **have been harder hit**, while others, like the food industry, have seen an increase. However, during the summer sales rebounded.
- And **online sales increased** (they have doubled) as a result of the lockdown. This growth appears to be long-term and requires an acceleration of the digital transition, and efforts to increase the profitability of online operations.
- The numerous closures from March to June 2020 have forced employers to **lay off a significant** number of employees.
- High fixed costs (especially leases) have triggered a **wave of insolvency among retailers and restaurateurs**. Four times as many retailers filed for bankruptcy protection between May and June 2020, compared to 2019.
- Restaurants are particularly affected by the pandemic and are the main victims of the second wave. **Approximately one out of every three restaurants** is expected to close in the next six months.
- Since the start of the pandemic, there has been an increase in **local purchases.**

**Pursue and expand support measures to avoid a wave of closures in the retail and restaurant sectors and ensure short-term survival during the holiday season and into 2021**

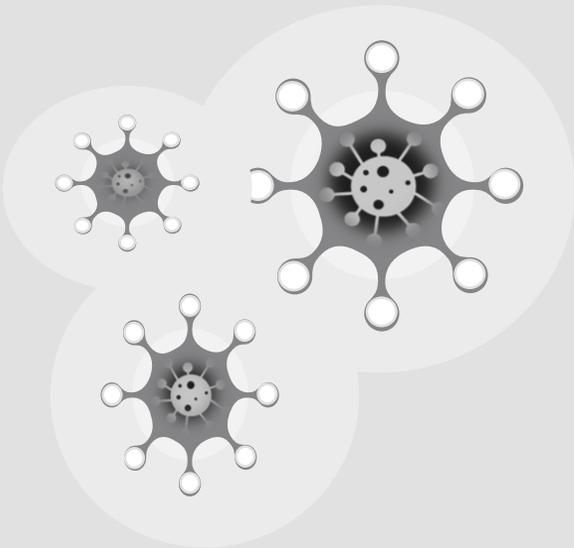
## SUMMARY

### AID MEASURES

- Governments have proposed several cross-cutting support measures. The Emergency Wage Subsidy, the PACTE loan guarantee, and the provincially-based PACME program have been made available to the sector. However, the consultation carried out in the framework of this plan highlights several limitations regarding these programs:
  - The **measures are often unfamiliar** to retailers and restaurateurs (especially smaller businesses), who view the **process as long and tedious**, and the **eligibility criteria as too restrictive or ill-suited** to their current situation. As a result, a **"one-stop shop"** approach that consolidates measures and integrates the information required for applications would facilitate the process;
  - The original commercial rent subsidy program failed due to a design flaw. It is too early to evaluate the new version, which is more generous and targets establishments directly.
  - Although some measures exist to help retailers in their digital transition, they are still not fully adapted to accommodate smaller establishments. A **single platform** of **shared** or even subsidized digital and logistics services would be beneficial;
  - The support measures most often called upon to deal with liquidity issues **lead to debt** (guaranteed loans vs. grants) and often remain poorly adapted to the reality of small establishments that have not been able to demonstrate sustained profitability for several years;
  - A **review of the assistance for commercial property taxes** in Montréal (the highest in Canada) must be initiated.
- Governments recently announced an adjustment.
- Other initiatives have been developed by commercial and/or private development stakeholders to **support buying local** (e.g. Le Panier Bleu). However, these initiatives are not yet working in a concerted manner, limiting the impact on consumers and the benefits for retailers.

### BUSINESS OPPORTUNITIES

- In addition to the short-term measures needed to ensure the sector's survival, there are opportunities available to the retail and restaurant sectors:
  - **Accelerating** the sector's digital transition in order to adequately meet consumer needs and improve the positioning of our businesses with consumers outside Quebec;
  - Transforming **traditional retail** business and operational models **through** innovation;
  - **Local and eco-responsible trade** by stimulating sales among local shops and restaurants;
  - The **commercial revitalization of the** city centre, which is the area most affected by the decline in traffic during the pandemic.



**Ten courses of action to mobilize the ecosystem towards the recovery of the retail and restaurant industries**

SUMMARY

**RECOMMENDATIONS AND COURSES OF ACTION FOR GREATER MONTRÉAL**

**PLEASE NOTE: DUE TO THE RAPID EVOLUTION OF AID MEASURES, SOME COURSES OF ACTION COULD BE PARTIALLY IMPLEMENTED AT THE TIME OF READING THIS PLAN.**

**1. Target 1: Businesses**

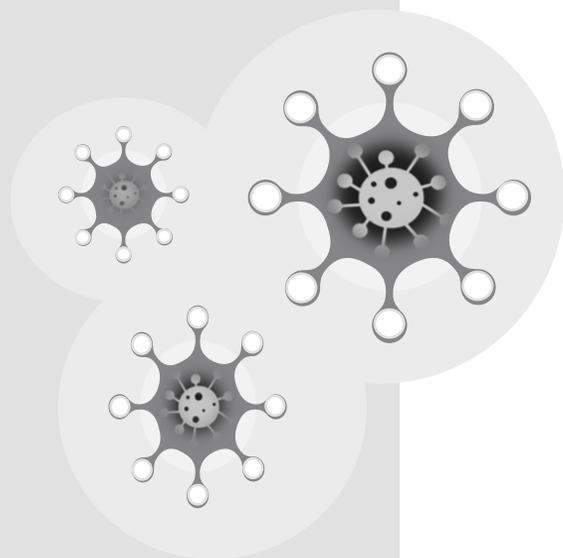
1. Stimulate short-term sales through various initiatives
2. Implement digital strategies by investing in talent and technology tools
3. Review business and operational models while relying on innovation to design differentiated offerings

**2. Target 2: Entrepreneurship and economic development support organizations**

4. Better integrate initiatives promoting local purchasing by expanding the Panier Bleu's role as aggregator
5. Support cross-sectoral collaboration to foster innovation and creativity in supply development, and support retailers in their export endeavours

**3. Target 3: Governments**

6. Introduce incentives to stimulate sales for local retailers and restaurateurs during the holiday season and into 2021
7. Expand assistance measures and facilitate access to support programs
8. Support small and medium-sized retailers in further developing their digital capability and competitiveness in the field of e-commerce
9. Promote local shops and local brands
10. Develop a strategy for the redevelopment of the city centre and targeted commercial arteries



# Highlights from the priorities identified in the Strategic Forum on Retail Trade (1/2)

On December 4, 2020, the Strategic Forum on Retail Trade, organized by the Chamber of Commerce of Metropolitan Montreal and its partners, highlighted the issues facing businesses in the sector. Welcoming close to 350 participants, the Forum was an opportunity to discuss the main points of the action plan and reflect on the sector's post-COVID future.

The Forum also included an interactive working session aimed at prioritizing issues and courses of action. The main findings are as follows:

- 1) **Pre-COVID challenges:** Respondents identified the **delay in the digital transition** as the most significant pre-COVID challenge facing them, followed by **issues related to high fixed costs**.
- 2) **The impacts of the current crisis:** The decline in the dynamism of the city centre and the various shopping streets was identified as the most significant impact of the crisis affecting the sector, followed by a **decline in profitability and high fixed costs**.
- 3) **Business opportunities for the sector** : Respondents stated that (1) continuing to **transform traditional retail business and operational models** through innovation and (2) **accelerating the sector's digital transition** were the most important business opportunities to act on for the sector.
- 4) **Short-term courses of action to revitalize the** city centre: We invited the Forum participants to prioritize the courses of action that most concern them and that would contribute to increasing traffic in the city centre. **The** development of cross-promotions **between retailers, restaurants and businesses in the tourism sector as well as** easier access for cars and pedestrians were identified as the courses of action that should be prioritized in the short term.

## Highlights from the priorities identified at the Strategic Forum on Retail Trade (2/2)

**5) Other feedback:** During the Forum, panelists emphasized **the importance of 1) enhancing delivery models, 2) leveraging digital interfaces, and 3) continuing to promote customer service and expertise in the sector.** The initiative of several entrepreneurs was also highlighted, as several of them have already proposed innovative and forward-looking business models. Panelists also discussed the **positive impact of the Panier Bleu** in supporting Montréal retailers.

Finally, participants had the chance to share other ideas during an open-ended question period, leading to the definition of additional avenues for recovery actions.

Among these, specific to the industry:

- *“Building a digital infrastructure to better position local businesses against the Web giants.”*
- *“Revamping various advertising campaigns aimed at boosting tourist traffic in the downtown area.”*
- *“Offering free programs to direct businesses towards using digital technology with strategic tools.”*

... and specific to governments:

- *“[Consider a decrease] in shipping costs, which undermines interest in e-commerce [for retailers].”*
- *“Regulate and better control the commercial leasing sector and commercial leases.”*
- *“Promote financing for small business owners with innovative retail and delivery solutions.”*
- *“[Introduce] significant taxation measures for the giants that take full advantage of e-commerce.”*

**The combination of the collaborative session highlights and the action plan that follows resulted in the roadmap proposed by Relaunch MTL for a stronger sector. The various stakeholders can implement the roadmap to ensure the recovery of the sector.**

# INTRODUCTION

# Relaunch MTL: An initiative to mobilize key stakeholders in Greater Montréal's economy

The COVID-19 crisis is having a significant impact on society as a whole. An unprecedented economic crisis has emerged from a health crisis. The impacts of this crisis on the city's economy vary greatly from one industry to another. While some sectors are experiencing significant losses and need to reinvent their business model, others are in a period of growth and are facing labour shortages. While businesses and industries face significant challenges, there are many opportunities to be seized and the transition to a lower carbon economy remains a priority.

The current crisis is mobilizing all Montréal stakeholders. The provincial and federal governments, as well as the Communauté métropolitaine de Montréal (CMM) and its 82 municipalities, are making considerable efforts to contribute to the sustainable recovery of their economies.

In this context, the Chamber of Commerce of Metropolitan Montreal and some twenty partners launched the Relaunch MTL movement, backed by the Government of Canada, the Government of Quebec, the Communauté métropolitaine de Montréal and, the Ville de Montréal, in association with Investissement Québec and in collaboration with the Palais des congrès de Montréal. The aim of this movement is to mobilize all of Greater Montréal's economic stakeholders to revive the city's major strategic sectors.

Thanks to data and strategic information collected in real time, each sector will be subject to an analysis of the specific issues it faces.

The goal of the movement is to acquire a detailed understanding of the issues facing these sectors, to find solutions and to assist businesses and governments with decision-making. All this with a common aim: to succeed in reviving Montréal's economy.

The development of ten sector-specific action plans and a plan for the city centre is part of this movement. These plans will be expanded through a series of virtual events that will encourage discussion and the implementation of initiatives to propel the sustainable recovery of the city's economy and businesses.

# This document represents the recovery plan for the retail sector

This action plan for recovery includes the retail and restaurant sectors and was drafted in October 2020 as part of Relaunch MTL. The analyses, findings and courses of action are the result of a rigorous and accelerated process, taking into account the effects of the current crisis. They are mainly based on:

- contribution from the Conseil québécois du commerce de détail (CQCD) and the Metropolitan Fashion Cluster (Mmode);
- a review of the literature on the consequences of COVID-19, both here and internationally, and the measures put in place to address them;
- secondary research and additional information;
- interviews with key stakeholders in the community (see list in the appendix);
- KPMG's analytical framework and industry expertise.

This plan provides governments and industry stakeholders with short-term priority courses of action and other options that are part of a longer-term sustainable recovery. Its scope is metropolitan, focusing on the territory bounded by the Montréal census metropolitan area (CMA).

It is understood that the courses of action will be refined during a strategic forum on December 4, through a participatory exercise with the members of the industry.

## TEN AREAS OF INTEREST:

- Air transport and aerospace
- Retail
- Construction and infrastructure
- The creative industries
- Life sciences and healthcare technology
- Financial services
- Information technology
- Clean technology
- Tourism
- Transportation and logistics

# Greater Montréal: Solid economic performance before COVID-19

In the years leading up to COVID-19, Greater Montréal was a driving force in the province's economic growth.

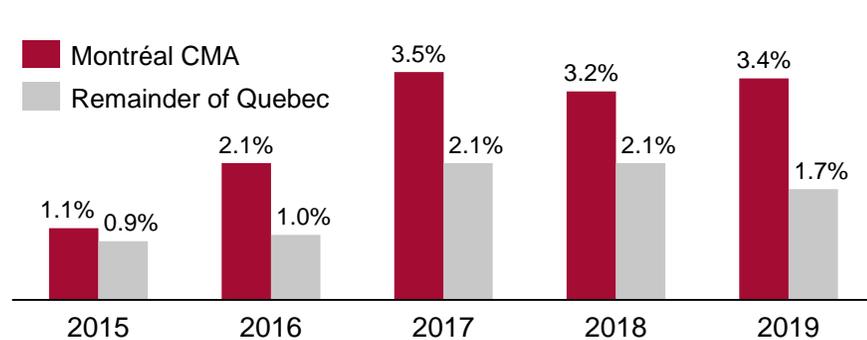
- Between 2016 and 2019, the growth rates recorded in the Montréal CMA were significantly higher than the economic growth in the remainder of Quebec. In 2019, the city's GDP even grew at twice the rate of the rest of Quebec (3.4% versus 1.7%), surpassing the growth rates of the other major Canadian CMAs.

The economy of Greater Montréal benefits from:

- the presence of a critical mass of businesses and jobs in several promising activity sectors that contribute to making Montréal a dynamic and innovative city (and that are all the subject of Relaunch MTL action plans);
- Massive investments in infrastructure—including the Turcot Interchange, the Champlain Bridge and the Réseau express métropolitain (REM);
- a real estate sector that is growing strongly—not only on the Island of Montreal, but also on the South Shore.

## Annual growth rate of real GDP, Montréal CMA and rest of Quebec

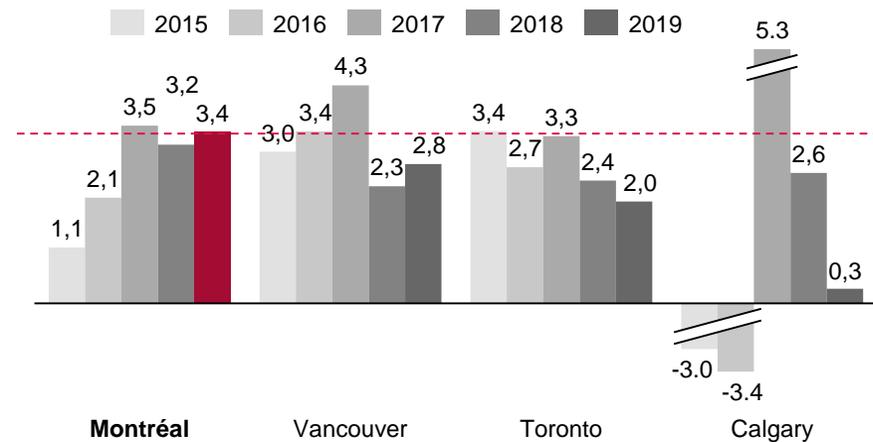
2015 to 2019, in %



Source: Conference Board of Canada; KPMG analysis

## Annual growth rate of real GDP, selected CMAs

2015 to 2019, in %



# Unprecedented impact and impressive rebound

From February to April 2020, employment in the Montréal CMA fell by 18.0 points, rebounding in May and the following months.

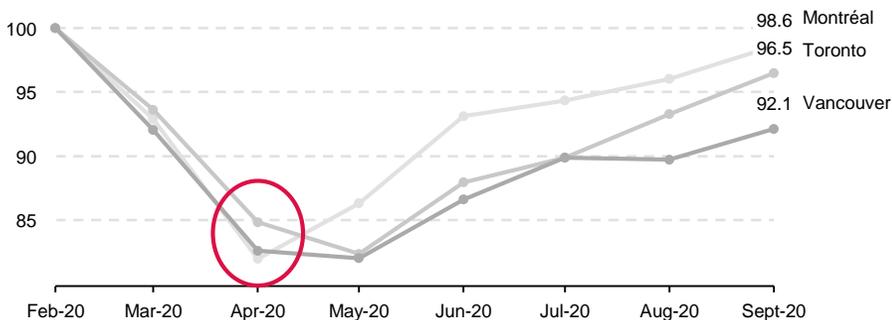
- In October, employment remained 1.0% below February's level, but a decline is possible, given the current partial lockdown.

Montréal's rebound is the most significant of the 20 largest North American metropolises.

- The strength of government intervention has limited job losses, particularly through unprecedented household income support, with personal disposable income even increasing.
- The management of the health crisis has also made it possible to reopen more quickly, in comparison with our neighbours to the south.

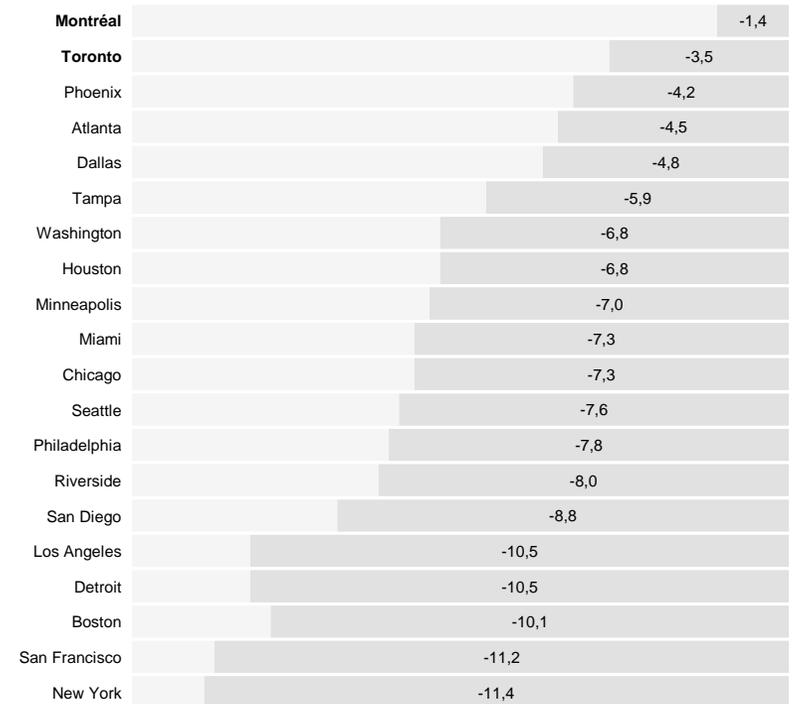
## Employment change, selected census metropolitan areas

February 2020 to September 2020, February 2020=100



## Change in employment in the 20 largest cities in Canada and the United States

February to September 2020, in %



Source: Statistics Canada (Table 14-10-0295-01); Metro Recovery Index (Brookings), 2020; KPMG analysis

Household and business confidence remains shaken, some health measures remain in place and productive capacity of the economy has been reduced.

## The downtown area remains hard hit

Greater Montréal was hard hit by the COVID-19 crisis, with the lockdown extending over a longer period than elsewhere in Quebec. But it is downtown Montréal that has been—and remains—among the most affected.

- With its high concentration of jobs that lend themselves to telecommuting, the downtown area has been abandoned by many of its employees. A gradual return is under way, with offices being authorized to return to a maximum capacity of 25% of their workforce. At the end of September, it was estimated that only one-third of employers reached or surpassed the 20% mark.
- Due to the closure of the Canadian borders, international tourists are nowhere to be found. The occupancy rate for hotels in downtown Montréal fell by 83% between the summer of 2019 and the summer of 2020, while the hotel occupancy rate outside the downtown Montréal area fell by 25%.
- Shows, festivals and other events held in the city centre were almost all cancelled from mid-March to early August, while activities at theatres, concert halls and museums were put on hold. In spite of an easing of the public health measures in August and September, the transition of the Greater Montréal area to a red zone on October 1 forced the return of the ban on gatherings, both indoors and outdoors.

### Variation in the number of jobs, selected sectors

Quebec, selected periods, seasonally adjusted data

	Variation February to April 2020	Variation February to September 2020
Accommodation and foodservice	-36%	-10%
Information, culture and recreation	-36%	-11%
<b>The economy as a whole</b>	<b>-23%</b>	<b>0%</b>

Sources: "Les bureaux du centre-ville de Montréal toujours presque vides" (La Presse, 2020); "Bleak summer seen for Montréal hotels, but outlook is better in regions like Charlevoix" (Montréal Gazette, 2020); Statistics Canada (Table 14-10-0022-01).

**Accommodation and foodservice, in addition to information, culture and recreation, remain the sectors most affected by the crisis.**

# A recovery that varies in speed and intensity depending on the sector and location

The majority of businesses in the metropolitan region will experience four phases of a growth recovery.

- Although the initial response phase to the crisis is behind us, some companies operating in the most affected sectors are still in the resilience phase, while others have begun the transition to the recovery phase, which aims to steer their activities back to pre-crisis levels.

Not all companies and economic sectors will make their way through the various phases of a return to growth at the same speed, and some may experience a setback during the second wave. The extent of change needed to adapt business models to the new reality will vary sector by sector.

**Most companies have begun to reflect on the new reality that will emerge in the coming months and even years. The lasting repercussions that COVID-19 may have on companies' strategies or business models are at the heart of current concerns.**

## The 4 phases of growth recovery



Source : KPMG (Juillet 2020) « COVID-19 : Sortie de crise : Soutenir la relance de nos clients ».

# An action plan structured around five components

This action plan is structured as follows:



# 1

## THE SITUATION BEFORE COVID-19

Strategic importance of the retail sector for the city's economy

Strategic importance of the restaurant sub-sector for the city's economy

Key development issues prior to COVID-19

## Retail trade: A highly varied sector of activity

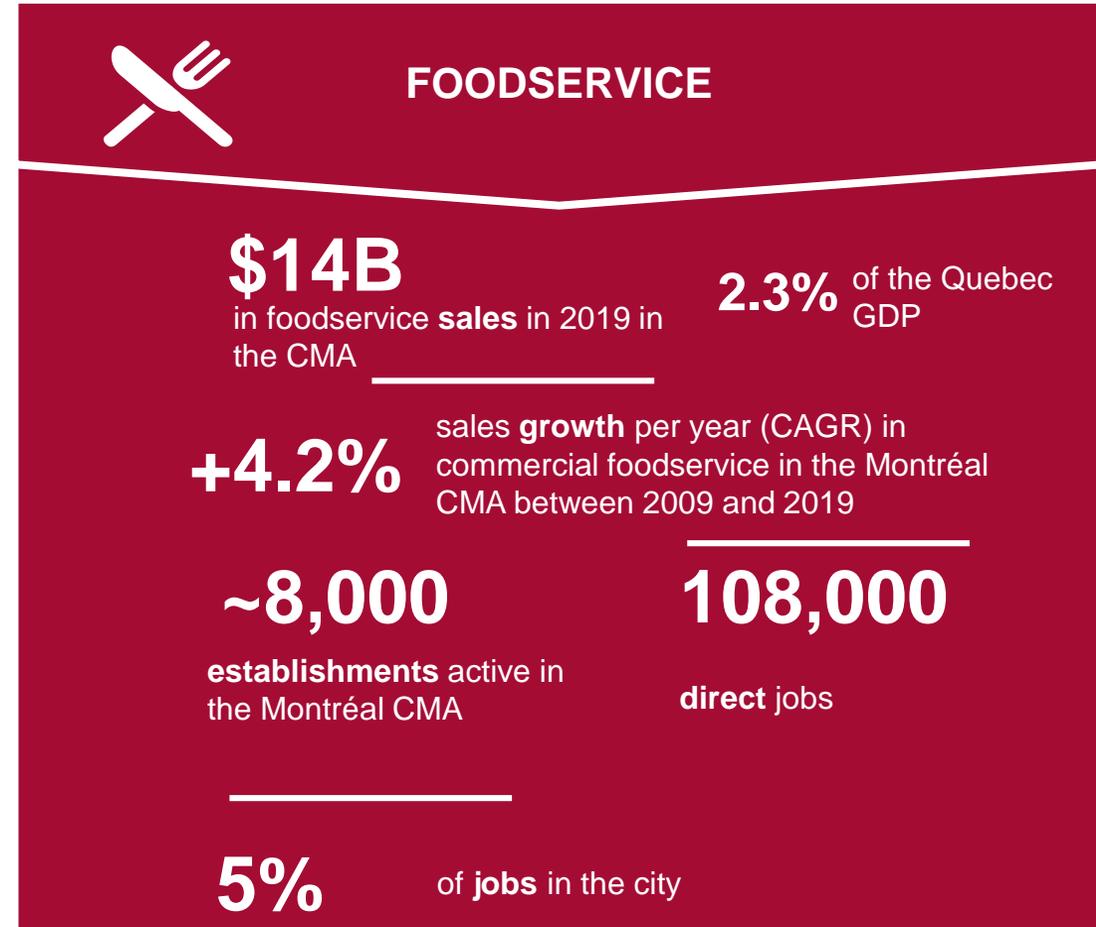
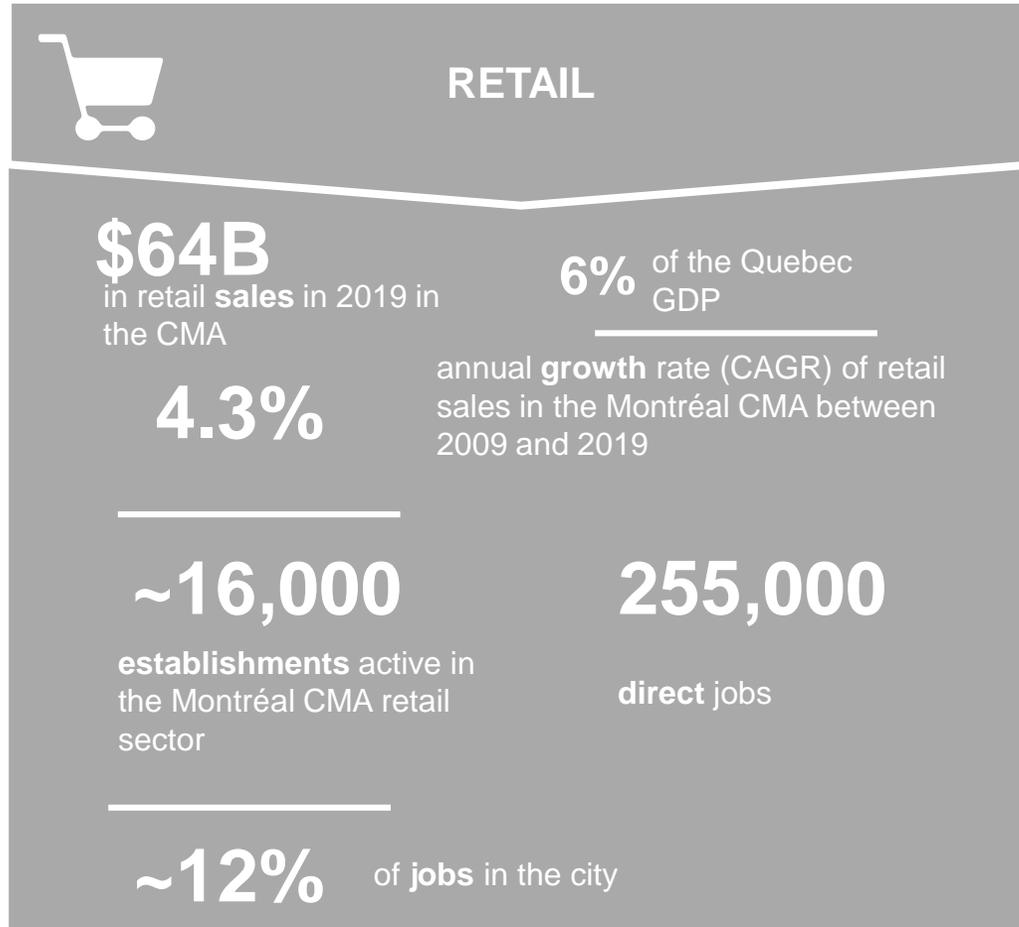
The retail sector includes many shops of different sizes and from different sectors (specialty shops, supermarkets, department stores, online shops, independent shops, chains, etc.) and is the last link in the distribution chain. This sector can be grouped into seven major sub-sectors that sell, for the most part, both in-store and out-of-store (online).

- While the retail sector comprises a wide variety of sub-sectors, the fashion and apparel and foodservice sectors receive particular attention under this action plan, given their importance and the fact that they share similar dynamics and challenges.
- The sector also involves key partners and various stakeholders affiliated with these businesses, including the Conseil québécois du commerce de détail (CQCD), the Metropolitan Fashion Cluster, the Ministère de l'Économie et de l'Innovation (MEI), the Ville de Montréal, the Association des Sociétés de Développement Commercial, other provincial and federal agencies, etc.



Source: "NAICS Code," Statistics Canada (2020)

# The retail and foodservice sectors are important economic drivers in Greater Montréal and Quebec



Sources: Data from Chapter 1; Ville de Montréal, "Portrai de secteur," (2019); KPMG analysis

# A contribution to the city that is not only economic but also social

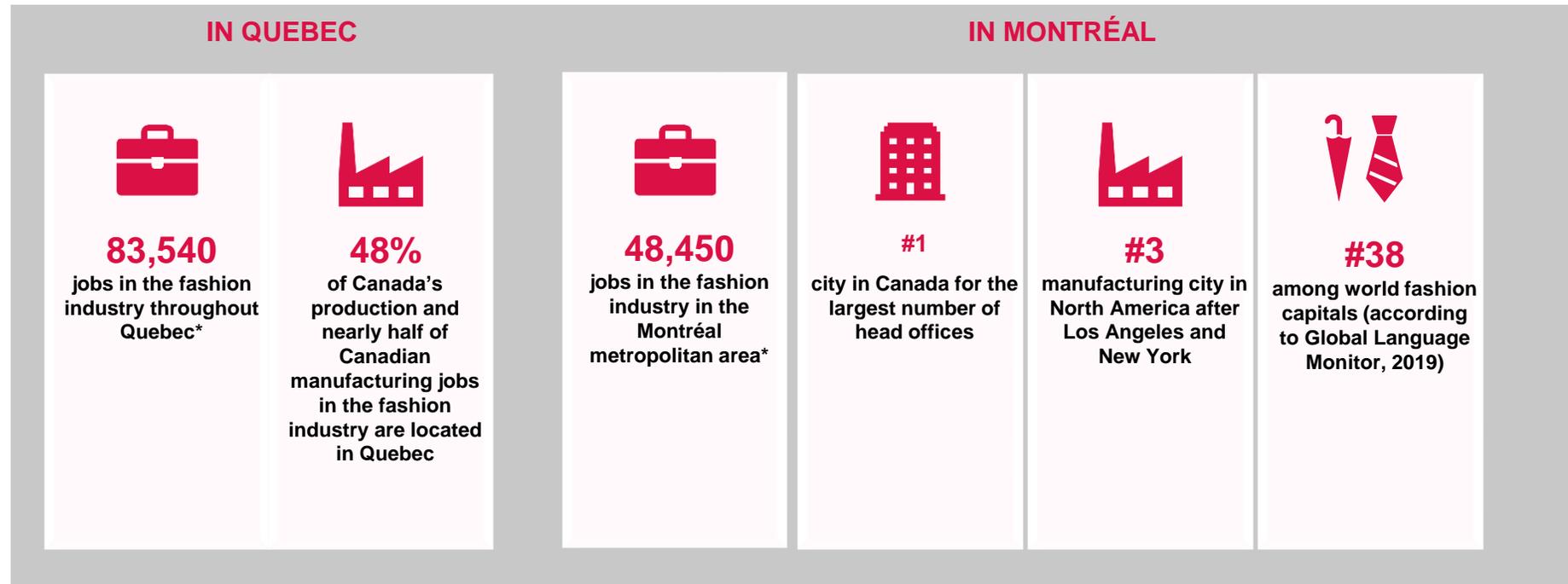
Local purchasing and procurement in Quebec	Contribution to capital expenditure	Crucial part of urban life	Head offices: driving local economic growth
<p><b>Strategic buyer of Quebec services and locally manufactured goods for many other industries.</b></p> <ul style="list-style-type: none"> <li>• By sourcing locally, the retail sector stimulates economic activity in Quebec and its regions. The sector participates in the development of other Quebec industries, including manufacturing, real estate services, wholesale trade, and transportation and warehousing.</li> <li>• In the fashion industry, retail trade is part of an ecosystem that includes designers, manufacturers and wholesalers.</li> <li>• Plus, many service companies in Quebec gravitate around retail—accountants, lawyers, tax specialists, jobs in communications and marketing, IT, etc.</li> </ul>	<p><b>The sector contributes directly to the vitality of the renovation, construction and space leasing sectors.</b></p> <ul style="list-style-type: none"> <li>• In 2018, Quebec's retail sector invested \$1.2 billion in capital assets.</li> <li>• The retail sector has a significant impact on occupancy rates for commercial properties in Montréal. In fact, the occupancy rate of commercial premises is one of the best indicators of a neighbourhood's vitality.</li> </ul>	<p><b>Retailers are part of life in Montréal's neighbourhoods and the city's unique personality. They are part of the urban fabric and neighbourhood life.</b></p> <ul style="list-style-type: none"> <li>• Retailers on the commercial arteries are often small, independent and local businesses offering diverse products and services adapted to the neighbourhood's residents.</li> <li>• In addition to encouraging the local economy, Montrealers gain in quality of life through the diversity and quality of the commercial offer.</li> </ul>	<p><b>The retail sector includes many of the largest companies in Quebec. Many of these retailers have their head offices in Montréal.</b></p> <ul style="list-style-type: none"> <li>• Notably, the largest company in Quebec is a retailer whose head office is located in Montréal: Metro Inc. It creates nearly 60,000 jobs in Quebec, including about 1,200 skilled positions at its head office in Montréal.</li> <li>• In addition to creating skilled jobs, the head offices of retail companies bring several direct and indirect benefits to the local economy, such as supporting strategic decisions at the local level and transferring value to local businesses (professional services, sponsorship).</li> </ul>

Sources: L'impact du commerce de détail dans la prospérité économique du Québec, CPQ; Détail Québec; Retail Council of Canada, Brief, August 2020; Les Affaires, "Le classement des 500 plus importantes sociétés québécoises," (2019); KPMG Analysis

## Fashion and clothing stores, more than retail outlets...

Fashion sales are part of an ecosystem that plays a considerable role in Greater Montréal's economy.

- The fashion industry includes many stakeholders whose continuity and growth are directly linked to fashion retail sales: designers, garment workshops, distributors, wholesalers, agents, manufacturers, etc., who distribute their products locally and export them.
- As a result, the retail component does not do justice to the real economic contribution of this sector.
- That said, by virtue of the number of jobs, manufacturers and head offices located in Montréal, the city is a fashion leader in North America.



Note\*: 2016 data

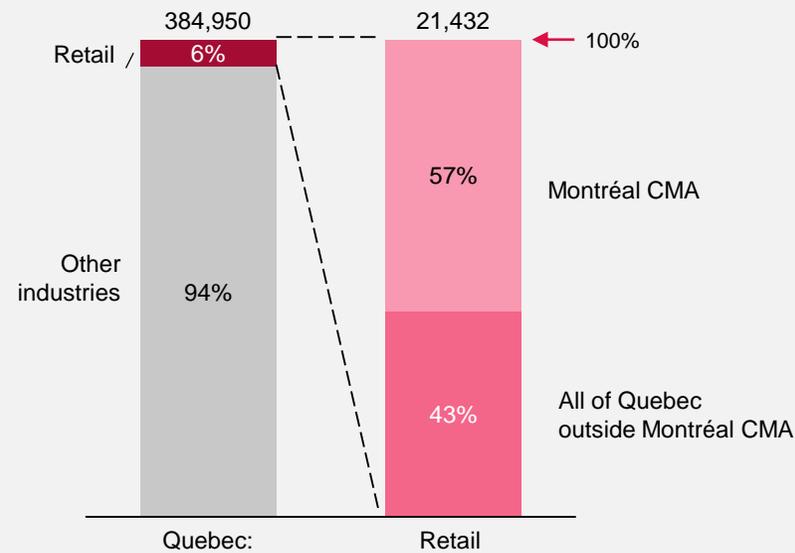
Sources: Mmode (2019); KPMG Analysis

# The retail sector is one of the largest contributors to Montréal's GDP

Retail accounts for **6% of Quebec's GDP** and is one of the main activity sectors. Just as for all of Quebec, the retail sector accounts for **5.7%** of all economic activity in the Montréal CMA.

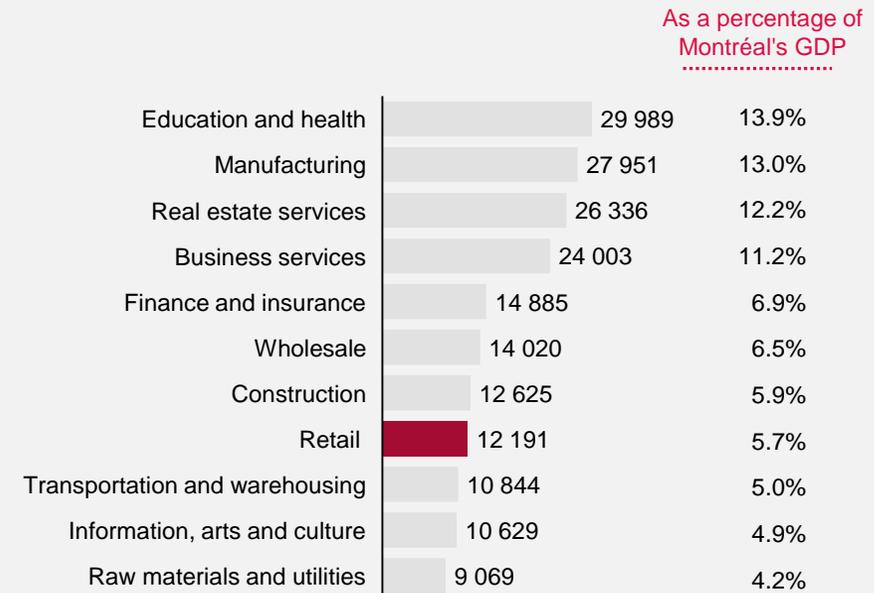
The gross domestic product (GDP) of Quebec's retail sector is estimated at \$12.2 billion (2017) in the Montréal CMA, representing a 57% share of this sector's GDP at the provincial level.

**GDP at basic prices, by industry  
Quebec and the Montréal CMA**  
2017; millions of dollars, %



Sources: ISQ, KPMG analysis

**GDP at basic prices, by industry  
Montréal CMA**  
2017; millions of dollars, %



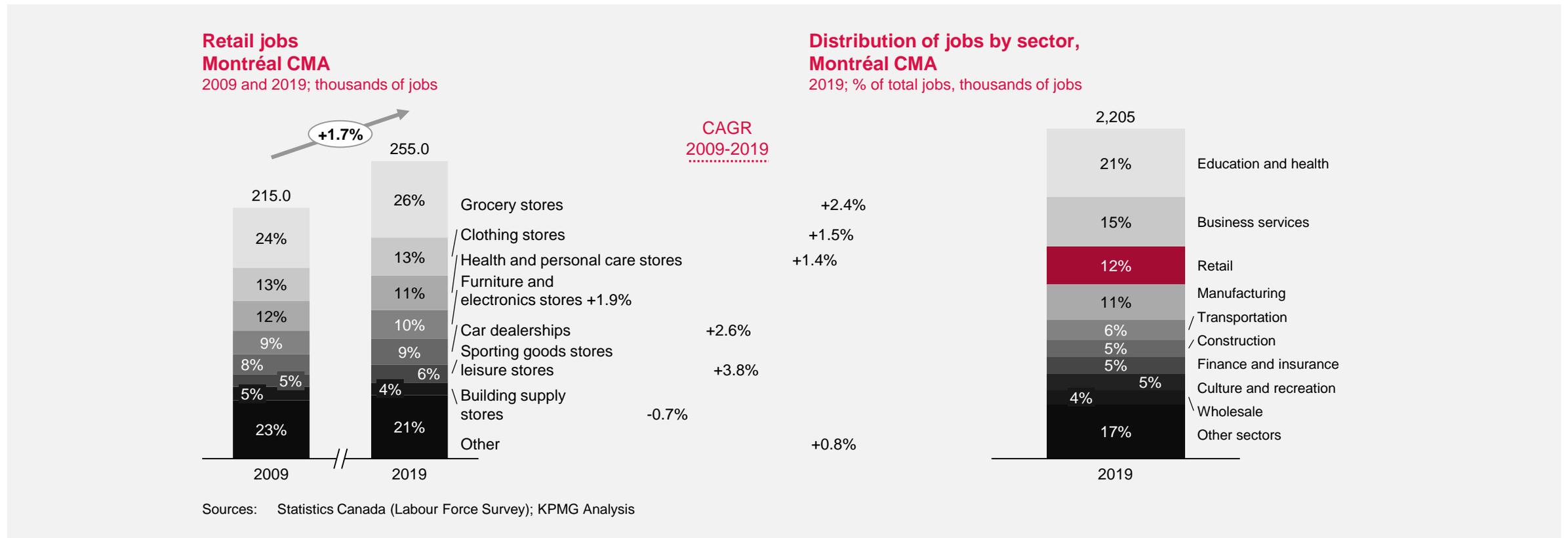
## With 255,000 employees, the retail sector plays a major role

Estimates indicate that the retail sector employed 255,000 people in 2019, or **12% of total jobs**

**in the Montréal CMA.** The sector is among the **largest private job providers** in the Montréal CMA. More than 45% of retail workers in Quebec are located in the region.

The number of jobs has increased by 1.7% per year compared to 2009, when there were 215,000 jobs recorded.

- Employment growth was strongest for sporting goods stores (+3.8%), automobile dealerships (+2.6%) and grocery stores (+2.4%).



## Retail head offices are a pillar for creating and maintaining skilled jobs

Many retailers are among the largest companies in Quebec and have their head office located in the Greater Montréal area. Notably, Metro Inc. is the largest company in Quebec.

- In addition to their **strategic importance**, head offices have a **significant impact on the local economy**. Through the head offices, **value transfers take place with other local businesses** (e.g., professional services, sponsorship). This supports the **creation and maintenance of many skilled jobs in Montréal**.

Overall, the retail trade creates **many value-added jobs with higher remuneration** (20.4% of jobs in the sector are management positions and/or jobs at head offices).

- In addition, the **rise of e-commerce and social media strategies** is contributing to the **growth of digital jobs in retail head offices**. HR benefits are becoming apparent, particularly through the creation of new positions and the reorganization of new business units.

### Head offices of retail businesses located in the Montréal CMA

2019

	Ranking among the 500 largest companies in Quebec*	Total employees in Quebec	Employees at head office**
Metro Inc.	1	59,660	1,200
Aldo	59	2,500	1,100
Alimentation Couche-tard	17	8,500	800
Dollarama	24	6,279	530
Albi le Géant	124	1,300	170

Notes: \*Publicly traded; \*\* Estimates.

### Distribution of retail trade occupations, Montréal CMA

2018.

	Jobs	Professions
Professional staff	5,785	<ul style="list-style-type: none"> <li>• Buyers</li> <li>• Auditors and accountants</li> <li>• Marketing consultants</li> </ul>
Administrative and other support staff	8,355	<ul style="list-style-type: none"> <li>• HR professionals</li> <li>• Human resources and recruitment officers</li> </ul>
IT personnel	1,450	<ul style="list-style-type: none"> <li>• Administrative assistants</li> <li>• General office support staff</li> <li>• Receptionists</li> <li>• Janitors</li> <li>• Security officers</li> </ul>
Management staff	49,325	<ul style="list-style-type: none"> <li>• Computer network technicians</li> <li>• Programmers and developers</li> <li>• User support technicians</li> <li>• Information systems managers</li> <li>• Programmers and developers</li> <li>• Database analysts</li> </ul>
		<ul style="list-style-type: none"> <li>• Managers</li> <li>• Supervisors</li> <li>• Sales, marketing and advertising managers</li> <li>• HR managers</li> <li>• Financial directors</li> <li>• Purchasing managers</li> </ul>
<b>59,130 jobs equivalent to 20.4% of the total number of jobs in the sector</b>		

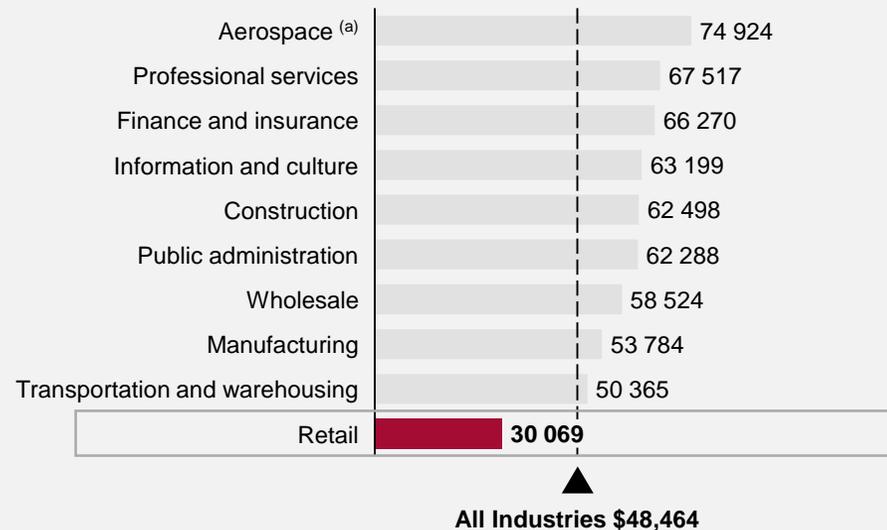
## In addition, retail contributes to the employability of workers with low qualifications

The retail sector is a major creator of low-skilled jobs and serves as a gateway to the labour market for a large pool of **students and workers with few or no qualifications**. This explains why the average annual compensation, which was \$30,069 in 2018, is lower compared to other sectors.

- 43% of the people hired by the retail trade do not have a degree in higher education, compared to 25% for all industries. **The workforce is younger**: 32% of workers in the retail trade are between 15 and 24 years of age, compared to 13% for all industries.

**The sector thereby contributes to the social integration** of a relatively less educated part of the workforce and provides them the opportunity to eventually hold management positions in the organization.

**Annual compensation by industry, Quebec**  
2018, in \$



**Degree level, Montréal CMA**  
2018, in %

	Retail	All Industries
No certificate, diploma or degree	13%	7%
High School Diploma	30%	18%
Apprenticeship, trade school, college, CEGEP diploma	33%	33%
University degree below bachelor's degree	4%	5%
Bachelor's degree or higher	20%	37%

Sources: Statistics Canada, "Average weekly earnings by industry, annual"; Statistics Canada - Labour Force Survey; Détail Québec, "Diagnostic sectoriel de la main-d'œuvre," (2016); KPMG Analysis

Note: (a) Manufacturing data for aerospace products and parts (NAICS 3364)

## More than 15,800 establishments in Montréal, a large majority of which are small businesses

There are 15,829 active retail establishments in the Montréal CMA. 63% of the industry is comprised of small businesses with 9 or fewer employees. Firms with 10 to 99 employees account for 34% of the industry, while those with 100 or more employees account for only 3%.

- The **grocery store sub-sector (excluding restaurants) is predominant** with 22% of the sector's establishments located in Montréal.

Given that small businesses have more limited means, it is understandable that some challenges, such as the transition to e-commerce, are significant.

### Number of businesses by sector and size, Montréal CMA

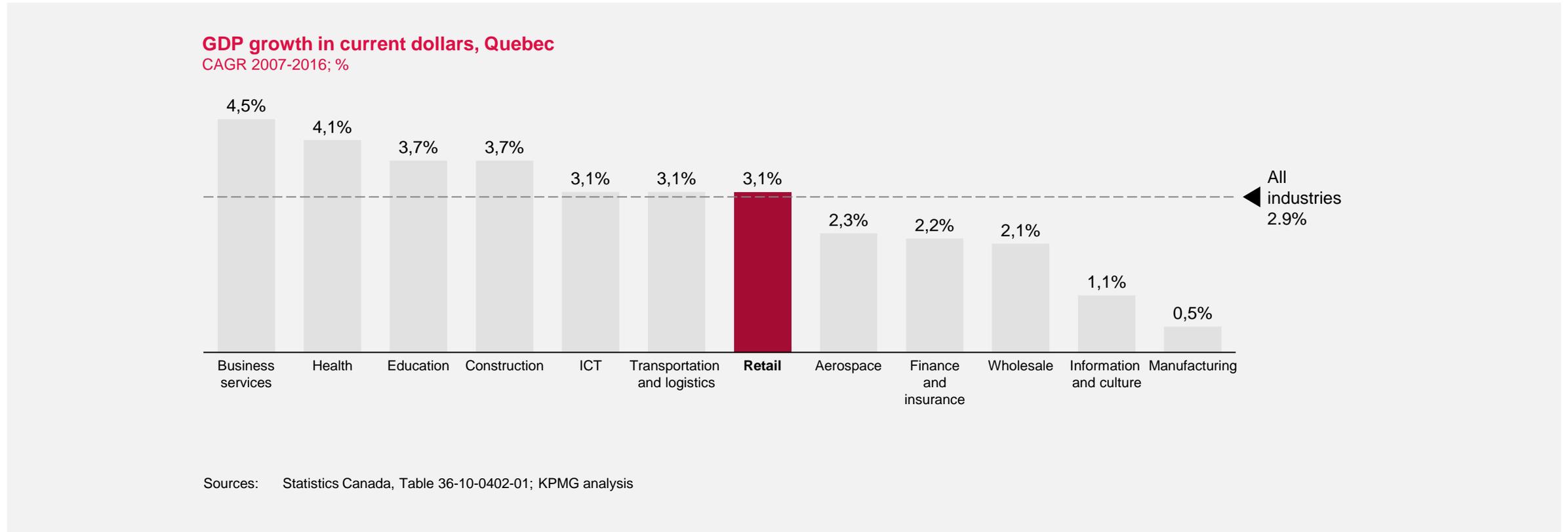
2020; in number of companies

	Micro 1-9	Small 10-99	Mid-size 100-499	Large 500+	TOTAL
Grocery stores	2,230	1,052	176		3,458
Clothing stores	1,902	935	21	2	2,860
Health and personal care stores	895	859	14		1,768
Furniture stores	971	395	6	2	1,374
Car dealerships	735	507	26		1,268
Sporting goods stores	438	279	14	0	731
Building supply stores	417	248	43		708
Other stores	2,455	1,110	94	3	3,662
<b>Total</b>	<b>10,043</b>	<b>5,385</b>	<b>394</b>	<b>7</b>	<b>15,829</b>
	<b>63.4%</b>	<b>34.0%</b>	<b>2.5%</b>	<b>0.04%</b>	<b>100%</b>

Sources: Statistics Canada, Table 3310026901; KPMG analysis

# Slightly higher growth compared to that of the Quebec economy as a whole

Between 2007 and 2016, the sector's GDP grew at an annual rate of 3.1% (in current dollars), while industries as a whole grew by 2.9% over the same period.

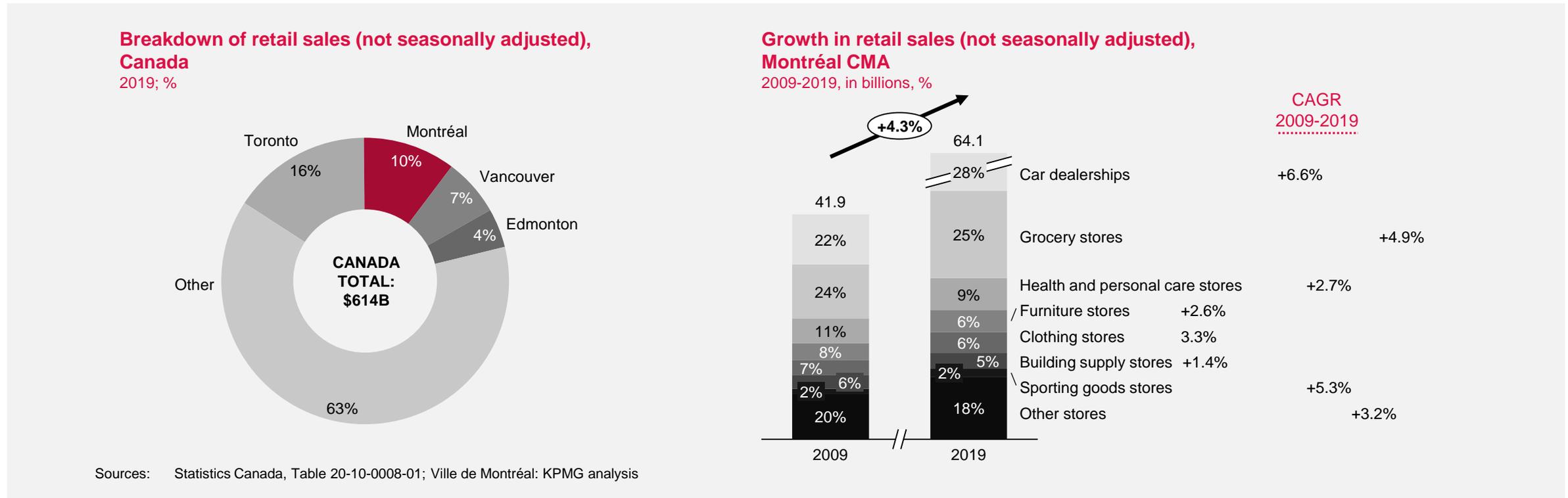


# With annual retail sales of close to \$65 billion, Montréal is Canada's second largest commercial centre

The CMA's contribution to retail sales in Canada is remarkable: **the city is the second largest contributor with 10% of sales**, behind Toronto, which accounts for 16% of national sales.

Over the last ten years, retail sales in Montréal have grown by 4.3% annually to reach \$64.1 billion in 2019. Let us not forget that retailers are responsible for collecting consumption taxes on these sales.

- Sales were up in all sub-sectors, with the largest growth recorded among automobile dealerships (+6.6%) and grocery stores (+4.9%).



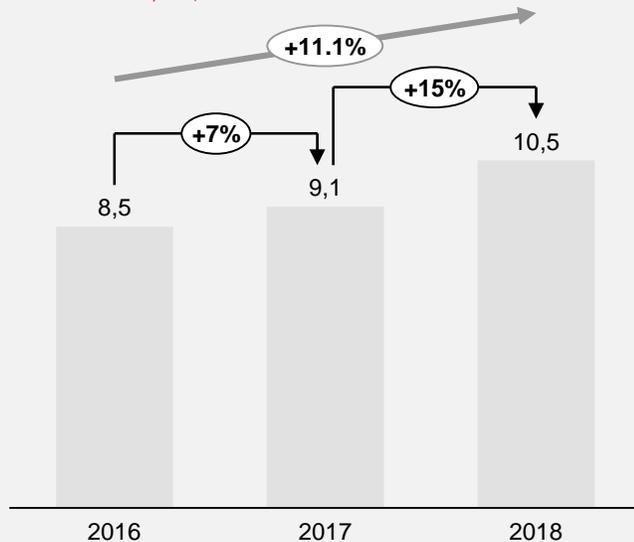
# E-commerce is growing faster than retail sales

Total online purchases in Quebec can be estimated at \$10.5 billion in 2018, which would represent a 15% increase over 2017.

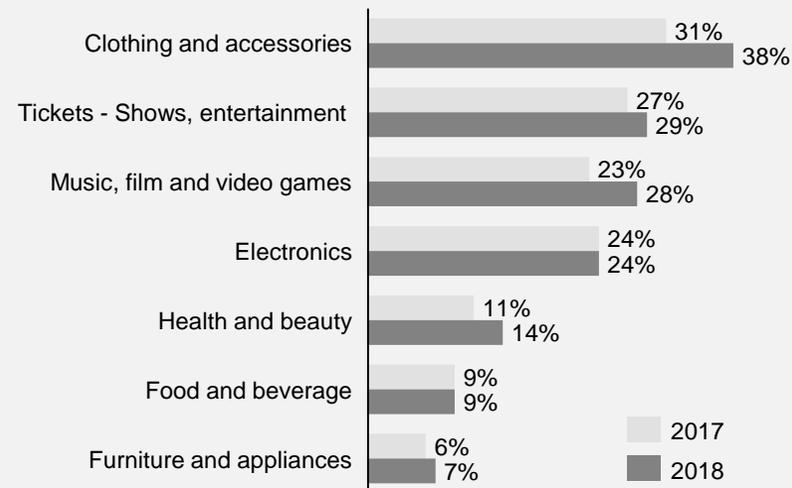
- Some product categories lend themselves more to online sales, such as apparel, entertainment and electronics.

Although it is evolving, **the share of online sales in Quebec and Canada lags behind other high-income countries**, such as the United States. This delay is due to the **large number of small businesses** that have limited resources to keep up with the digital transition. Not being able to take advantage of this market, the retail trade in Quebec and Montréal is **losing market share to companies located outside the province**.

**Evolution of online sales, Quebec**  
2016 to 2018; in \$billions



**Evolution of categories of products purchased online, Quebec**  
2017 and 2018; %



Sources: Portrait de l'évolution du commerce électronique au Québec, Détail Québec; Sharp increase in online purchases, Isarta; KPMG analysis

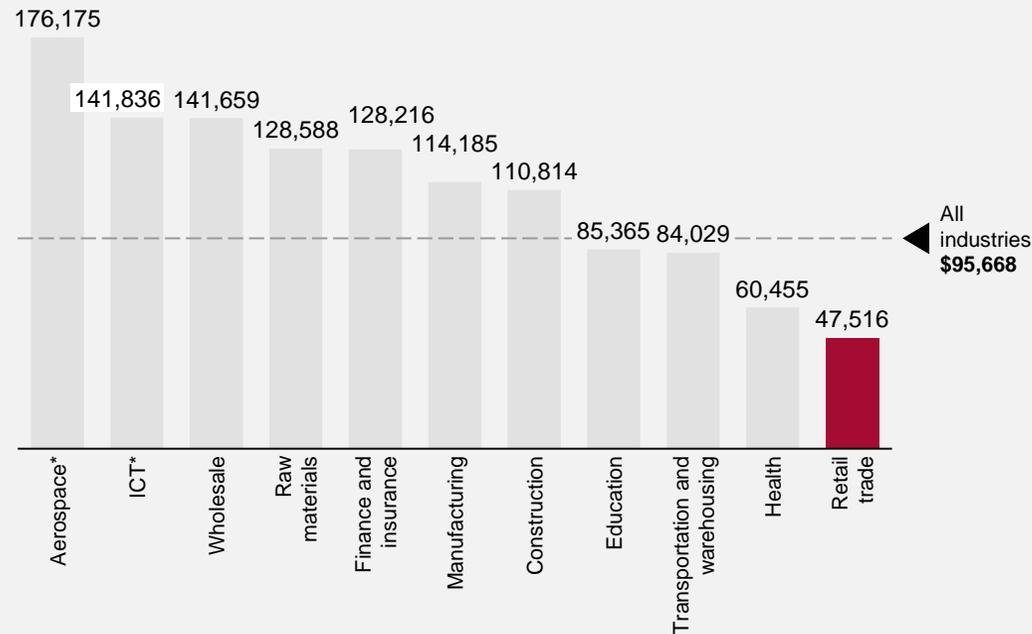
# The retail sector exhibits lower productivity levels than the provincial average

The retail sector shows a productivity level of \$47,516 per job, which is lower than the Quebec average of \$95,668 (-50%). The **digital transition by Quebec companies** is one of the possible avenues for improvement in order to increase the sector's productivity.

However, it is important to note that **retail trade stimulates the productivity of other sectors** in Montréal.

- In particular, retail sales in the **fashion industry** boost the productivity of **local manufacturing, wholesale, and creative businesses**.

**GDP per job for selected sectors<sup>(a)</sup>, Quebec**  
2018 unless otherwise indicated; in \$/job



Note (a): includes head offices

Sources: Statistics Canada, "Gross Domestic Product (GDP) at basic prices, by industry, provinces and territories," (2016-17-18 ) (Labour Force Survey); mmode (2020); KPMG analysis

**Local businesses in the fashion sector (non-retail), Montréal CMA**  
2019

Local businesses	Number	Examples:
<b>Designer</b>	74	<i>Maguire Boutique, Louve Montréal, Maison Marie Saint Pierre, etc.</i>
<b>Manufacturer – Garment workshop</b>	22	<i>Vêtements Peerless, Quartz Co., Robocuts, Alfred Cloutier Ltee, etc.</i>
<b>Wholesaler – Distributor – Agent</b>	10	<i>Black suede studio inc., Gorski Group Ltd., By Charlotte Agency, etc.</i>

\*2016 data

\*\*2017 data

# 1

## THE SITUATION BEFORE COVID-19

Strategic importance of the retail sector for the city's economy

Strategic importance of the restaurant sub-sector for the city's economy

Key development issues prior to COVID-19

# Commercial foodservice has positive effects on the city's entire economy

An important link in the Quebec bio-food chain	Distinctive cultural attraction for Montréal as a destination	Head offices: driving local economic growth
<p><b>The foodservice sector is an ally for businesses in the huge agricultural production and food processing sectors.</b></p> <ul style="list-style-type: none"> <li>• In 2018, foodservice accounted for one-third (35%) of food consumption in Quebec. Restaurants made \$4.7 billion in purchases of agricultural, fishing and processed products, more than half of which were Quebec-sourced products.</li> <li>• Moreover, by turning more and more to local purchasing, the foodservice sector is becoming a showcase for local products.</li> </ul>	<p><b>Gastronomy is intimately linked to the culture of the city. By the same token, commercial foodservice is an important asset for Montréal's tourism sector.</b></p> <ul style="list-style-type: none"> <li>• "In recent years, the foodservice industry has become a paragon of gastronomy. Montréal, a world-class food capital, is becoming increasingly renowned and is making headlines in various international media."<sup>(a)</sup></li> <li>• Montréal has become a cultural destination in part because of its gastronomy (e.g., food tourism).</li> <li>• Restaurants also play a social role, as they are meeting and socializing places that are popular with Montrealers. In 2017, 25% of Montrealers ate at a restaurant about once a week and 26% went to a restaurant 2 to 4 times a week.</li> </ul>	<p><b>Several restaurant chains are among the largest firms in Quebec and have their head offices located in the Greater Montréal area.</b></p> <ul style="list-style-type: none"> <li>• Notably, Groupe SportsScene (La Cage aux Sports), St-Hubert, Cora, Restaurants Pacini and MTY are restaurant companies with their head office located in the Greater Montréal area.</li> <li>• These head offices make it possible to maintain many skilled jobs in the Greater Montréal area, in addition to all the jobs created by these companies.</li> </ul>

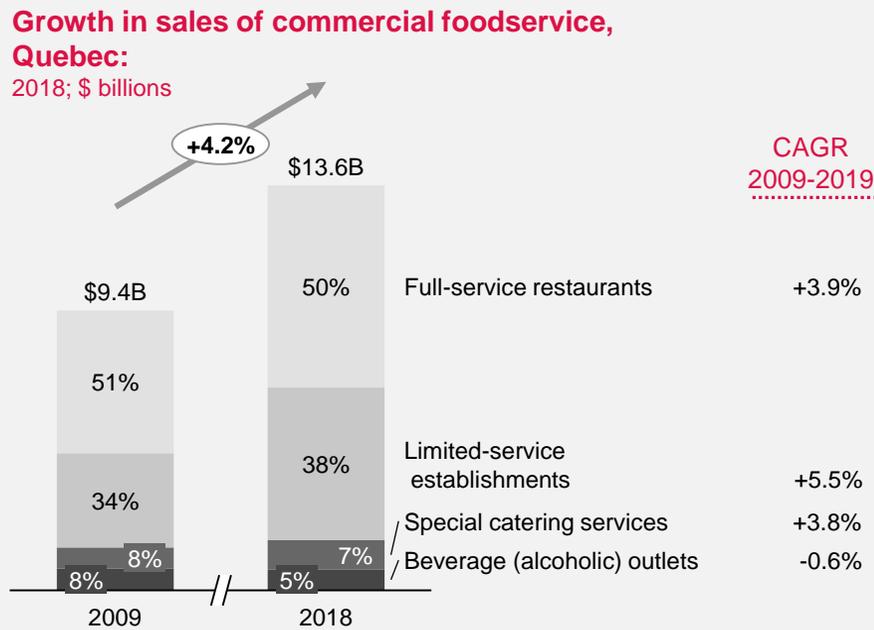
Note: (a) Mémoire ARRQ Gastronomie et culture MTL, March 16, 2017

Source: MAPAQ, Bioclips 2019; HRI Mag, 2017; Les Affaires, "Le classement des 500 plus importantes sociétés québécoises," (2019 ); KPMG analysis

# Quebec's foodservice industry generates significant economic activity that contributes to the creation of wealth and jobs

The commercial foodservice sector includes full-service and limited-service restaurants, as well as liquor outlets (pubs, taverns, bars, etc.) and special food services (caterers, canteens, etc.). This sector is **omnipresent in the daily lives of Quebecers** and generated **sales of \$13.6 billion in 2018** in Quebec.

- These sales supported **207,000 direct jobs**. Their direct contribution in terms of added value to the sector was \$5.9 billion, including \$4.5 billion in wages, salaries and income for business owners.
- In addition, approximately **27,400 indirect jobs** among suppliers are dependent on commercial foodservice sales, accounting for \$2.4 billion in indirect added value.



Source: MAPAQ, Statistiques restauration et Bioclips, 2019; KPMG analysis

**Economic benefits of commercial foodservice, Quebec<sup>(a)</sup>**  
2018; \$ millions

	Direct effects	Indirect effects	TOTAL
<b>Jobs<sup>(b)</sup></b>	206,760	27,395	234,155
<b>Added value</b>	\$5,888M	\$2,429M	\$8,317M
<b>Indirect taxes</b>	\$1,646M	\$306M	\$1,952M
<b>Subsidies</b>	-\$105M	-\$29M	-\$134M

Note: (a) MAPAQ analysis  
(b) Including employees and self-employed workers

# Montréal has the most commercial foodservice establishments in Quebec

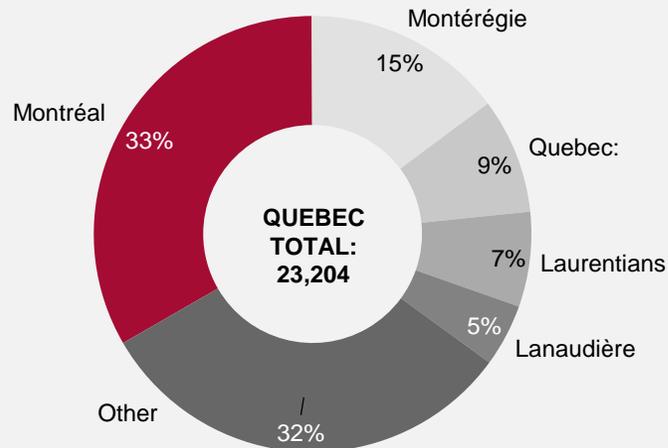
In fact, there are 7,719 restaurants in the Montréal area, representing **33% of establishments in Quebec**.

Foodservice is a labour-intensive sector. In Montréal, about 108,000 jobs are attributable to commercial foodservice, or **5% of total jobs in the CMA**.

- Like the retail trade, the foodservice industry is a **major employer for students and categories of lower-skilled workers**.

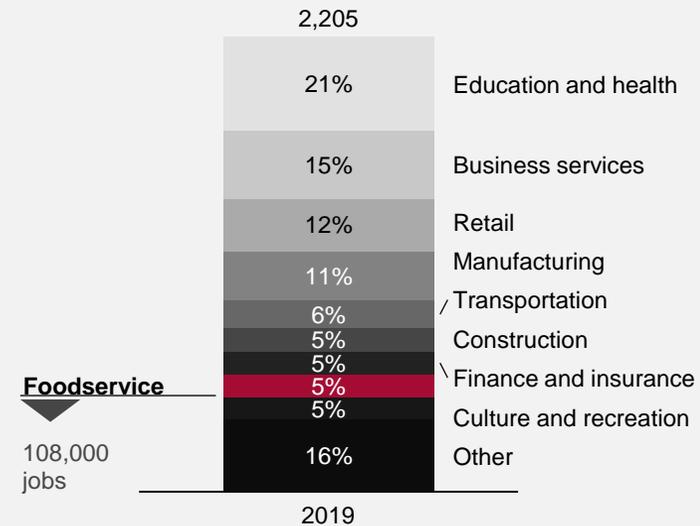
**Commercial foodservice establishments, Quebec:**

Average 2013-2017; in %



**Distribution of jobs by sector, Montréal CMA**

2019; % of total jobs, thousands of jobs



Source: MAPAQ, BioClips 2019, volume 27 no.10; Statistics Canada (Labour Force Survey); HRI Mag 2018, KPMG analysis

# From small establishments to large chains, foodservice plays an important role in the economy of Greater Montréal

Of the number of establishments associated with commercial foodservice in Montréal (7,719 restaurants), **47% have fewer than 10 employees (micro establishments)** and 52% are small establishments with 10 to 99 employees.

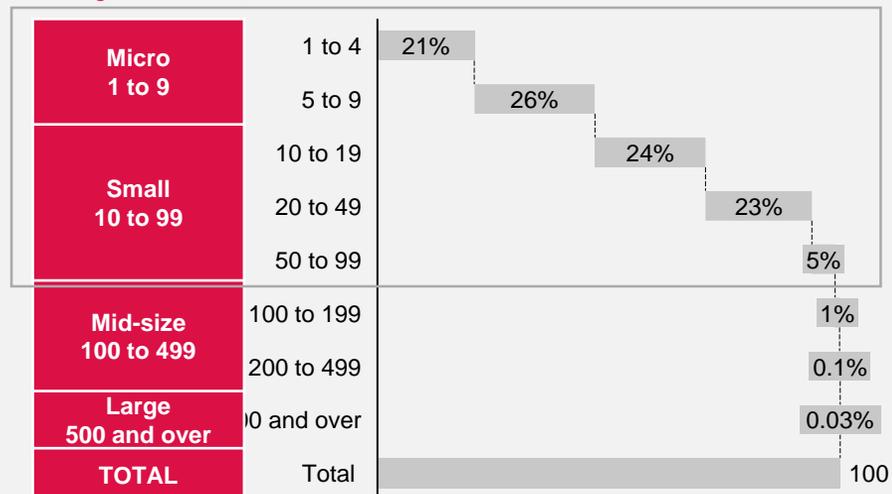
- In addition, commercial foodservice is led in particular by an independent ownership structure. In fact, 58.2% of establishments are independent, the highest proportion in the country.

However, **large restaurant chains are among the largest companies in Quebec** and have their **head offices in Montréal**.

- These head offices contribute to the creation of skilled jobs, while at the same time supporting the local economy of the CMA.

## Distribution of establishments by size, Montréal CMA

Average 2013-2017; in %



Note (a): the company has kept its decision-making centre in Quebec. The company's operations include foodservice and the sale of products through retailers.

Source: Statistics Canada table 3310026901; Association Restauration Québec; Les Affaires, "Le classement des 500 plus importantes sociétés québécoises," (2019); KPMG analysis

## Head offices of foodservice companies located in the Montréal CMA

2019

Company	Ranking among the 500 largest companies in Quebec*	Total employees in Quebec	Employees at head office*
St-Hubert <sup>(a)</sup>	16	9,300	450
Sportsscene	55	2,684	300
Cora	136	1,100	100
Pacini Restaurants	164	920	150
MTY	349	389	170

# 1

## THE SITUATION BEFORE COVID-19

Strategic importance of the retail sector for the city's economy

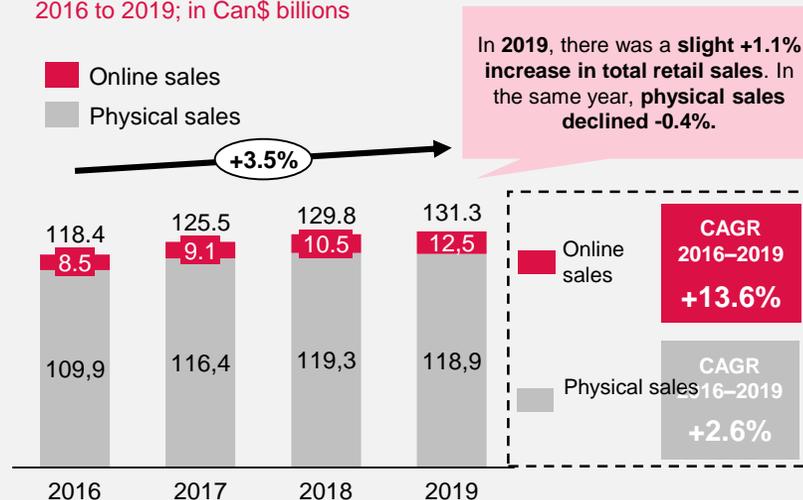
Strategic importance of the restaurant sub-sector for the city's economy

Key development issues prior to COVID-19

## Prior to the pandemic, the sector was already undergoing a profound transformation, as sales growth was down

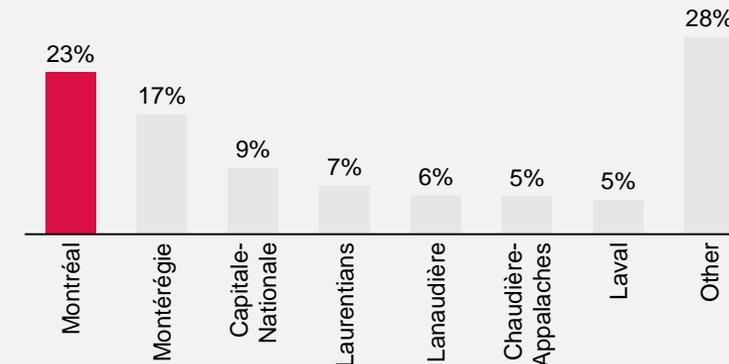
- Retail sales in Quebec grew by an average of +3.5% annually between 2016 and 2019, with a slowdown observed in 2019 (+1.1% growth).
  - In addition, store sales declined by **-0.4% in 2019**, the largest decline recorded in a decade.
- Retail trade was undergoing a profound transformation that affected both independents and large international retailers.
  - The term **retail apocalypse** was coined before the pandemic to characterize the high number of store restructurings, bankruptcies and closures. Quebec was not immune to this phenomenon, and various retailers were experiencing difficulties (e.g. Caroline Neron, Stokes and La Senza).
- Although e-commerce was growing steadily in Quebec (+13.6% in CAGR 2016-19), it was not the only driver of transformation in the sector, and retailers were facing other issues (e.g. labour and changing consumer behaviour) in their **quest to reinvent themselves**.

**Evolution of retail sales in Quebec**  
2016 to 2019; in Can\$ billions



Source: Détail Québec "Commerce sectoriel du commerce de détail" (2018); Détail Québec "Commerce en ligne" (2018); CEFRIQ "Étude du commerce en ligne" (2019); Conseil québécois du commerce de détail "Ventures au détail" (2019)

**Distribution of retail establishments in Quebec**  
2016



# Before the health crisis, retailers and restaurants were already faced with several challenges



**LABOUR SHORTAGE.** The sector was facing various challenges, exacerbated by a labour **shortage**. These issues included **recruitment difficulties** and high **turnover rates**. In addition, rising **minimum wages** were putting increasing pressure on retailers' operating costs.



**HIGH FIXED COSTS.** Difficulties experienced by brick and mortar outlets resulted in **high vacancy rates** in Montréal. Retailers faced various operational challenges related to storefronts, such as lack of accessibility (works and construction) and high municipal **taxes**. Furthermore, tenants had **little bargaining power** with respect to leases.



**DIGITAL TRANSFORMATION.** Many retailers, both large and small, were slow in adopting digital technology. For these retailers with **different degrees of digital maturity**, omnichannel retail was an issue before the pandemic. At the global level, **logistical** disadvantages and **fiscal inequity compared to foreign competitors** were hindering the development of e-commerce.



**DELIVERY SHORTCOMINGS.** The pandemic has shed light on the major deficiency in the delivery system for small businesses, which limits their ability to compete with the large international players in online commerce. Indeed, the desire to shop locally and buy online (for both retail and foodservice) was not supported by the current delivery system.



**EVOLUTION OF CONSUMER TRENDS.** Retailers had to adapt to rapidly changing consumer trends, such as **local** and responsible **purchasing** (with impacts on sourcing) and high expectations for a *unique, multi-channel and seamless shopping experience*, while consumers remain reluctant to pay a "premium" price.



**REVITALIZATION OF SHOPPING MALLS.** In response to changing trends, and a reduction in time spent shopping, some **shopping centres had begun their transformation** by becoming lifestyle destinations. Projects such as the revitalization of Place Ville Marie, Royalmount or Fairview Pointe Claire, with the vision of integrating shopping with other activities (offices, spa, gym, retirement homes, etc.) were launched shortly before the pandemic.

# Many retailers faced labour challenges due to costs and the difficulty of sourcing staff



**Labour issues:  
shortage, turnover  
rate, wage pressure**

- For street-front stores, labour represents a **significant cost factor** that can amount to as much as 30%\* of operating costs for a street-front store and 45%\* in a shopping mall.
- The retail sector was already dealing with a **labour shortage** in 2019, with a 5% job vacancy rate compared to the Quebec average of 3%. In addition, 45% of retail jobs were located in Greater Montréal.
- In 2018, a Détail Québec survey revealed that **turnover** was considered a major challenge for 1 in 4 retailers, notably for the positions of sales consultant, cashier and clerk.
- There was growing wage pressure as the **minimum wage increased by more than 26%** between 2012 and 2019, which surpassed inflation levels. 15% of retail jobs in Quebec are paid minimum wage; this is much higher than the average of 2.7% in other sectors.



For the foodservice industry, labour issues are just as important, given that this is a labour-intensive sector (108,000 jobs in 2019).

Source: Détail Québec, "La Pénurie de main-d'oeuvre" (2020); CNESST, "Historique du salaire minimum" (2020); "Diagnostic sectoriel" (2016); Détail Québec, "Enjeux de recrutement" (2019); La Presse, "Commerce de Détail en Mode Solution" (2019); KPMG analysis

## In addition, for many retailers, the high fixed costs associated with rents exacerbated profitability challenges



### Issues related to the high fixed costs of leases and rents

- For boutiques in Montréal, **rent** can represent up to 30% of operating costs for a storefront location and 47%(a) of costs in a shopping centre.
- These high costs, coupled with other phenomena (growth of e-commerce, competition from suburban shopping centres, etc.), result in a high **vacancy** rate equivalent to 15% in 2019 (approximately 1,000 per 7,000 premises). The vacancy rate in commercial buildings increased by 6% between 2015 and 2019.
- In some cases, the decline in brick and mortar revenues was associated with the many **construction sites** in Montréal. As a result, the city was required to compensate affected merchants with up to \$30,000 per year in 2018. On the other hand, the **decrease in pedestrian traffic** was partly associated with the **rise of e-commerce**, whose sales increased by +27% in Quebec between 2018 and 2019.
- In addition, retailers were already facing issues with their leases, with (historically) **little bargaining power regarding rents**, as landlords do not want to set precedents regarding the cancellation of a lease.

Notes (a): Estimated operating costs based on income statements from small and medium-sized retailers in Greater Montréal.

Source: Détail Québec, "La Pénurie de main-d'oeuvre" (2020); CNESST, "Historique du salaire minimum" (2020); "Diagnostic sectoriel" (2016); Détail Québec, "Enjeux de recrutement" (2019); La Presse, "Commerce de Détail en Mode Solution" (2019); KPMG analysis

# Quebec retailers lagging behind in the digital transition, exacerbated by challenges related to omnichannel sales and delivery



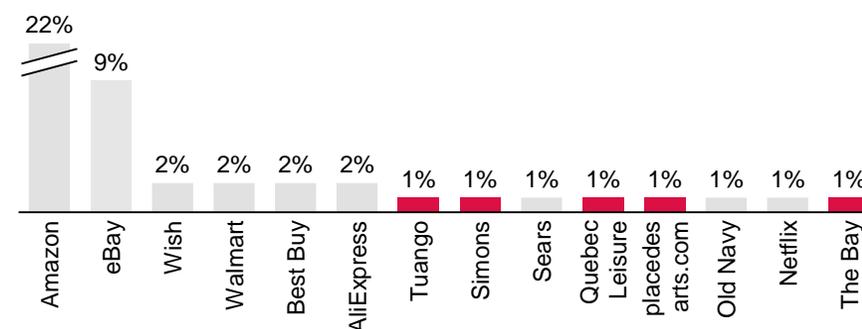
As elsewhere in Quebec and Canada, many large and small Montréal retailers lagged behind in the digital transition. For these retailers with varying levels of digital capability, omnichannel retail was an issue before the pandemic.

- Despite an increasing number of online shoppers (+32% between 2014 and 2017), more than 57% of Quebec retailers did not offer the possibility of making online purchases in 2018. There were disparities in digital maturity across company sizes and sub-sectors.
  - As a result, the majority of dollars spent online were spent overseas: Amazon and eBay accounted for 33% of transactions in 2018.
- The inadequacy of the delivery system in place limited the ability of small merchants to develop their online operations.
  - The Panier Bleu initiative aimed to find solutions through distribution cooperatives, but 7 months later, there is still no easy, efficient, fast and cost-effective answer for businesses.
  - Moreover, while the e-commerce giants have honed delivery standards, the \$4.63 million (equivalent to \$3,500 per retailer) granted under the MESI's<sup>1</sup> digital strategy plan<sup>2</sup> seemed insufficient to meet the costs of developing logistics infrastructures.
- Tax inequity is another issue that places Quebec retailers at a disadvantage. In fact, the international giants do not pay taxes on profits generated in Quebec, which allows them to reinvest in their growth at the expense of local companies that are "restrained" by these taxes.

**Evolution of online shopping in Quebec**  
2014 to 2017, in Can\$ and %

	2017	Growth between 2014 and 2017
Average monthly e-shopper rate	38%	+32% ↑
Average monthly shopping cart	\$281	+22% ↑

**The 14 sites with the most online shopping in Quebec**  
2018, in transaction volume



Note\*: 1) Plan stratégique numérique 2016-2019, 2) MESI: Ministère de l'Économie et de l'Innovation

Source: CEFRIO, "Indice de Commerce Électronique" (2017), Détail Québec, "Étude sur le Commerce Électronique" (2017); ICI Radio Canada, "Aide au virage numérique" (2016), Interviews, KPMG analysis

# Pressure to respond quickly to changing consumer and shopping behaviours



Greater Montréal area retailers had to adapt in response to changing consumer trends, including consumers' growing preference for local and responsible shopping (sustainable commerce), as well as high expectations in terms of customer experience.

- Quebecers' preferences for buying locally and responsibly were increasing. However, several retailers wishing to expand their offerings to better meet consumer preferences encountered supply and price issues.
  - In 2017, 72% of Quebecers said they favour buying locally. However, access to local suppliers remained limited. For example, according to the MAPAQ\*, only 53% of food purchases came from Quebec suppliers in 2018.
  - In addition, retailers faced pricing pressures. In fact, in 2018 Quebecers indicated they did not want to pay more than 5% more for an item made in Quebec.
- Consumers had high expectations in terms of customer experience. In particular, these expectations included: a unified omnichannel experience, personalization and strong values, over and above the simple selling of a product.

## Survey on local and responsible consumption preferences in Quebec

2010 to 2016, in %

Categories of eco-responsible behaviour	Adoption rate according to survey responses		Evolution between 2010 and 2017
Recycling	90%	↑	+3.6%
Local consumption	72%	↑	+2.9%
Deconsumerism	68%	↑	+1.2
Protection of the environment	67%	→	0.0%
Composting	48%	↑	+4.1%

Notes\*: Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec

Source: Recyc-Québec, "Baromètre écoresponsable au Québec" (2017); KPMG, "Customer Excellence Report" (2018), KPMG analysis

# A transformation initiated by certain shopping centres to counter the decrease in traffic and become shopping destinations once again



Shopping centres had to reinvent themselves as destinations, to increase traffic in their stores considering changes in consumption, including the reduction of time spent physically shopping and the desire for unique shopping experiences integrated with related activities.

- Some Montréal shopping malls experienced issues of declining traffic. For example, at the Eaton Centre, the busiest shopping mall in the Greater Montréal area, traffic had decreased - 7.5% between 2017 and 2018. Major and costly renovations (estimated at \$200 million), with the goal of making the Eaton Centre a flagship destination again (including the addition of Time Out Market and cultural activities), had just been completed in 2019, just before the pandemic.
- In terms of recent developments, various shopping centres, such as the new Four Seasons, have been developed by adopting a strategy of integration into the community, with connections to condos, housing, transportation, health and fitness activities, cinemas, hotels and entertainment centres. In outlying neighbourhoods, Royalmount or the Cadillac Fairview Pointe-Claire real estate development project linked to the REM are other examples.

## Recent shopping centre development projects in Greater Montréal

In Can\$

Shopping centre development projects	Year of construction	Estimated costs	Project description
<b>Four Seasons Hotel Montreal</b>	2019	\$250M	This project in the heart of downtown combines a spa, restaurants, hotel rooms and housing.
<b>Revitalization of the Esplanade Place Ville Marie</b>	2020	\$200M	This project aims to make the esplanade an urban gathering place, offering cultural activities, shops and restaurants (Cathcart), connected with office space and transportation modes.
<b>Revitalization of the Wilderton Centre</b>	2020	\$250M	This project brings together 500,000 square feet of housing and over 150,000 square feet of retail space.
<b>Cadillac Fairview Pointe-Claire</b>	2020	\$30M	This project involving more than 200 stores will be directly connected to the Réseau Express Métropolitain.
<b>Royalmount</b>	2022	\$2B	This project will combine shops, restaurants, entertainment, hotels and offices in one location.

Source: KPMG "Revolutionizing malls" (2019); Retail Council of Canada, "Canadian Shopping Centre Study" (2018); KPMG analysis

# 2

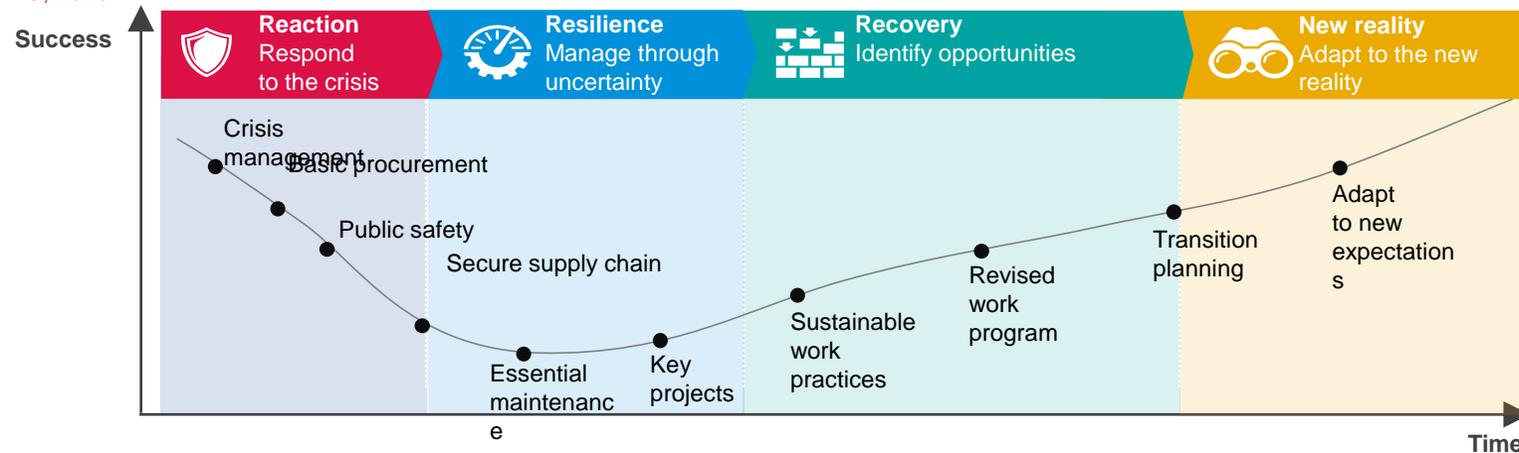
## IMPACTS OF THE CRISIS ON THE SECTOR

## A sector affected by the crisis, in a phase of resilience despite the many uncertainties about the future

Prior to the pandemic, the sector was already undergoing a profound transformation that affected businesses of all sizes. The pandemic has had an impact on the sector and has, for some companies, accelerated their decline. Generally speaking, the retail sector finds itself in the **resilience phase** (see diagram below). However, it is important to note that there are disparities between sub-sectors and that the impact of the crisis is still evolving:

- Some sub-sectors fared better (e.g. grocery and essential goods) than others (e.g. foodservice and fashion).
- E-commerce performed better, and retailers who had started the digital transition were more successful than those who lagged behind.
- Consumer behaviour has changed. Among other things, the health risk has led to an increase in the average cart size and local purchases.
- Downtown Montréal is experiencing a critical situation with the disappearance of certain consumer segments (e.g. employees and tourists). On the other hand, many retailers are seeing increases in traffic and sales in the suburbs (e.g. Anjou and Saint-Bruno).
- Seasonality, particularly the summer period, helped certain categories (e.g. gardening, cooking). However, the future still holds a lot of uncertainty (e.g. the holiday season) as health measures are being tightened in red zones.

**Framework for the analysis of sector recovery phases**  
KPMG, 2020



# Impacts mainly related to health measures, forcing a change in consumption

## THREE TYPES OF EFFECT



## IMPACT

- The physical closure of many businesses from March to June 2020 has forced employers to lay off a significant number of employees. In Greater Montréal, the loss of employment in the sector was -7% (160,000) between mid-March and June 2020. In the foodservice sector, a significant decline in employment of -24% was noted. On the other hand, foodstuffs and essential goods increased significantly. In particular, IGA's parent company recorded a 37% increase in sales in March 2020
- The economic uncertainty associated with the pandemic has led to a **reorganisation of household budgets** towards goods and services considered more essential. Some sectors (the fashion industry in particular) were more severely affected.
- When stores reopened, **health measures made it more difficult** for retailers to operate, resulting in **increased operating costs**, which in some cases were passed on to consumers. Notably, the ADAQ\* feels that grocery purchases will increase by between +4% to +7% this year due to higher operating costs.
- The pandemic has **changed consumer behaviour**, increasing online shopping (e.g. the number of Quebecers who shopped online for groceries increased by +69% in May 2020). There was also an **increase in home-related activities** (e.g. cooking and gardening) and **outdoor activities** (seasonal items, swimming pools, etc.), an **interest in buying local** (e.g. sales of Quebec wines up +60% at the SAQ), and an increased concern for **health safety**.

## Sequence of events since the start of the pandemic

2020

March 23: The government publishes the list of essential services. Various retail sub-sectors must close (e.g. clothing stores, restaurant dining rooms, shopping centres)



June 2020: A -7% (160,000) job loss is recorded in the retail sector in Greater Montréal



June 2020: reopening of stores, then restaurants under new operating conditions

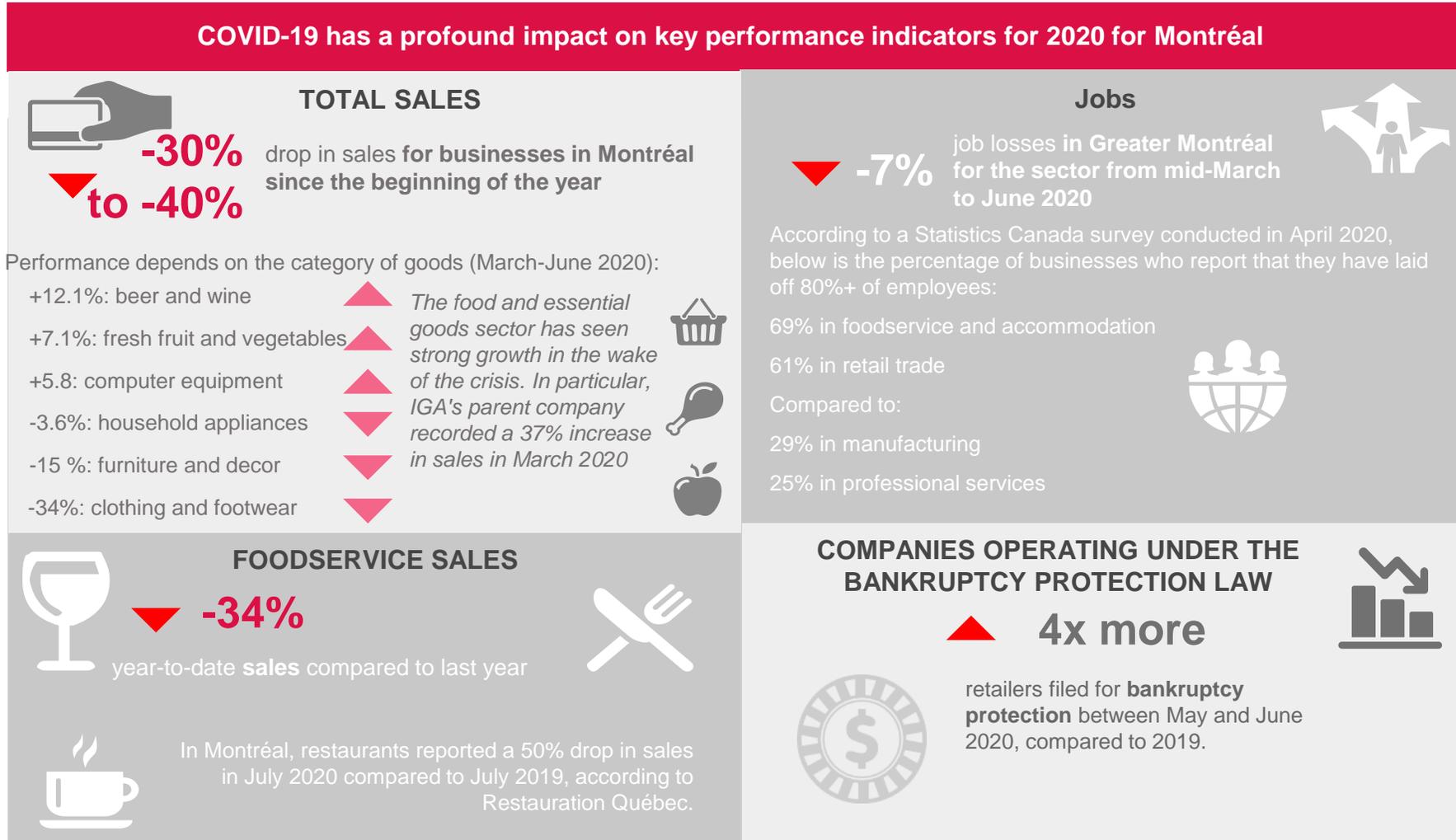


September 2020: "red zone," shops remain open, but restaurants can no longer serve on the premises

Note\* ADAQ: The Association des détaillants en alimentation du Québec

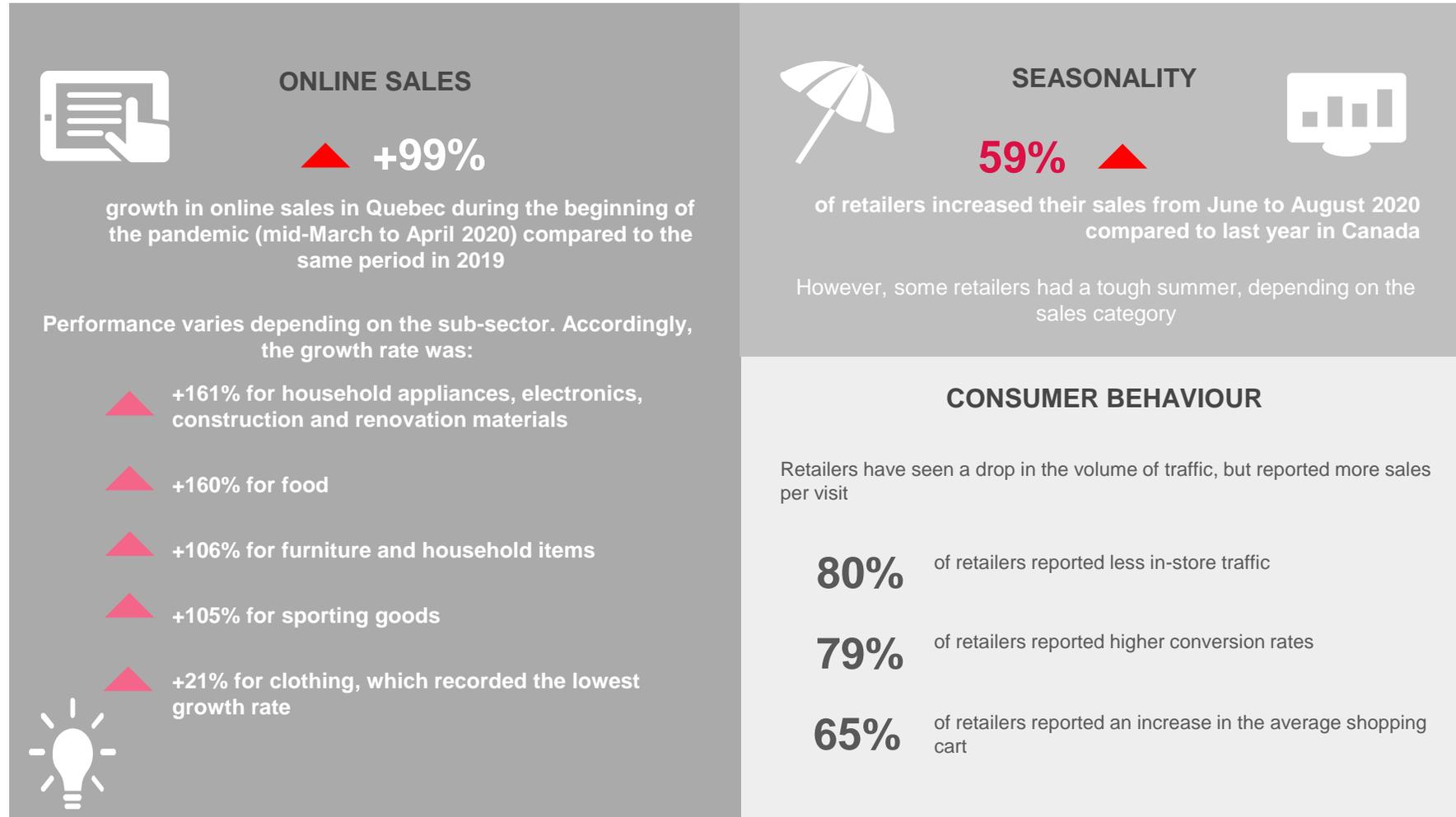
Source: La Presse, "La pandémie fait bondir les ventes" (2020); ADAQ, "Évolution du panier moyen" (2020); Communauté métropolitaine de Montréal, "Impacts économiques dans le grand Montréal" (2020)

# The sector as a whole has been affected, but there are disparities depending on the sub-sector and distribution channel (1/2)



Source: Journal de Montréal, "Évolution des habitudes d'achat" (2020); Association Restauration Québec, "Résultats de vente" (2020); Détail Québec, "Commerce en ligne," Retail Council of Canada, "Survey 2020" (2020); Communauté métropolitaine de Montréal "Impacts économiques dans le grand Montréal" (2020); KPMG analysis

# The sector as a whole has been affected, but there are disparities depending on the sub-sector and distribution channel (2/2)



Source: Journal de Montréal, "Évolution des habitudes d'achat" (2020); Association Restauration Québec, "Résultats de vente" (2020); Détail Québec, "Commerce en ligne," Retail Council of Canada, "Survey 2020" (2020); Communauté métropolitaine de Montréal "Impacts économiques dans le grand Montréal" (2020); KPMG analysis

# The crisis had a major impact on the city centre, while other sectoral challenges have increased

## IMPACT OF THE CRISIS ON ISSUES



### Downtown and its commercial streets



Due to widespread teleworking and border closures as a result of the pandemic, **certain customer segments in the city centre have practically disappeared**. These include office workers, students, and business tourists. This has caused a **significant drop in sales in the city centre**, even causing the loss of some particularly profitable segments, such as tourists and business people or office employees. In addition, **issues of access** (e.g. multiple construction sites—particularly on Sainte-Catherine Street—and parking issues) have had a negative impact on the image of the city centre and its number of visitors.



### Profitability and high fixed costs



Operational cost issues associated with leases, rents and municipal taxes **have been exacerbated by the pandemic**. As a result, a number of players have filed for creditor protection (e.g. Aldo, Dynamite, Reitmans) and some have had to close their doors (e.g. Le Château). Also, the pandemic resulted in the addition of **new operating costs associated with health measures** (e.g. store reorganization, physical safeguards, addition of self-service technology).



### Increasing challenges as a result of the digital transformation



The pandemic led to a **99% increase in online purchases in Quebec**. At the same time, the **number of Quebec retailers selling online** has doubled since the beginning of the crisis. However, going digital remains an issue for many retailers who must rethink customer journeys, manage delivery challenges, and absorb costs.



### Changing customer behaviour



In addition to increasing online sales, the pandemic has **changed the consumption habits** of Quebecers. In particular, lockdown and working from home have generated an increase in sales for **home-related products** (e.g. gardening, cooking) and **buying local**. Overall, **consumer confidence remains fragile**, with 34% of consumers thinking the worst of the crisis is yet to come, compared to 14% of consumers who think the worst is over.



### Labour



The crisis has amplified certain labour issues. In particular, the introduction of the Canadian Emergency Response Benefit (CERB) and the Canada Emergency Student Benefit (CESB) **have made it more difficult to retain** employees. In addition, with the accelerating digital transformation, there is **strong competition in the recruitment of a digitally skilled workforce**. New tasks such as customer experience, warehousing, and delivery are becoming part of a store's daily routine.

## Major impact on downtown retailers due to declining traffic from key consumer segments

- The pandemic has led to a **sharp decline in attendance and revenues in the downtown area**, as well as a **significant drop in traffic for certain segments of downtown consumers**, such as **tourists, employees** (only 5-10% returned to the office in September 2020) or students not living on downtown campuses.
- A very large proportion of businesses on St. Catherine Street noted a drop in the number of visitors. **Other shopping streets, such as Saint-Denis and Mont-Royal** also noted a decrease, according to the interviews conducted.
- The **lack of accessibility and the many construction sites** exacerbate the issues of declining revenues in the city centre. For 46% of merchants, **improvements related to car accessibility are the priority** to support sales on Sainte-Catherine Street.
  - According to a survey conducted by Destination Centre-Ville, **the average cart for customers arriving downtown by car** is \$149; customers coming by other means of transportation (bus, foot, or bicycle) spend an average of \$66. The use of alternative modes of transportation to access the city centre has decreased drastically.
- Various retailers noted that the **decline in visitors to the city centre is benefiting the suburbs**, where traffic has increased.
  - For example, traffic to *La Vie en Rose*'s downtown location has decreased by 40% on average, but traffic in Anjou and Saint-Bruno has increased by 64% and 35%, respectively.
- Downtown Montréal is the most heavily taxed area in Canada; **tax costs put additional pressure on the profitability of downtown retailers.**

### Survey on visitors and sales for businesses on Sainte-Catherine Street

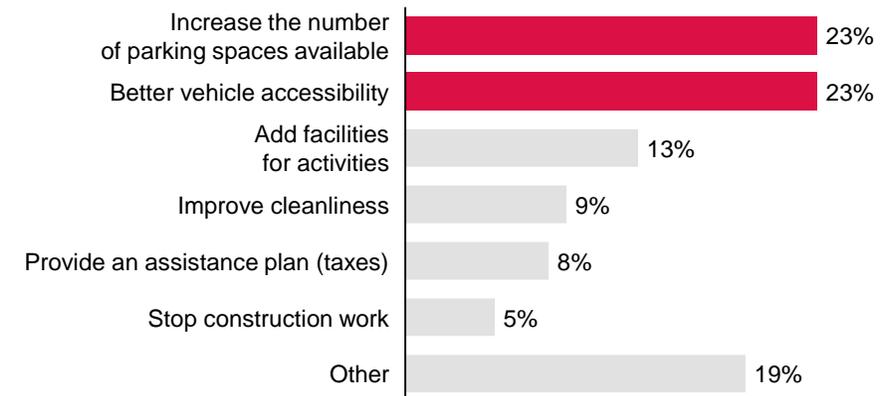
September 2020, in %

	In-store traffic	Revenue
Sharp increase	0%	0%
Slight increase	0%	2%
Similar	10%	7%
Slight decrease	14%	24%
Sharp decrease	66%	56%
Unable to comment	10%	11%

Source: SDC Destination Centre-ville, "Sondage auprès des commerçants" (2020); Interviews; KPMG analysis

### Survey on desired improvements to businesses in the city centre on Sainte-Catherine Street

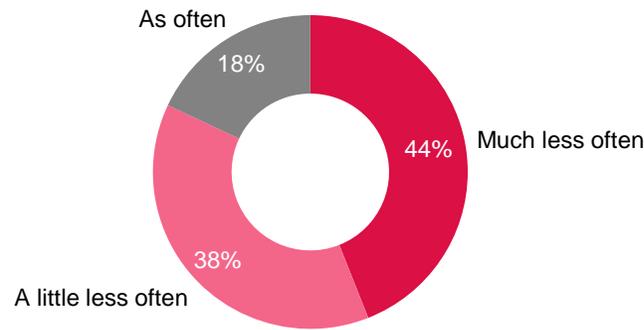
September 2020, in %



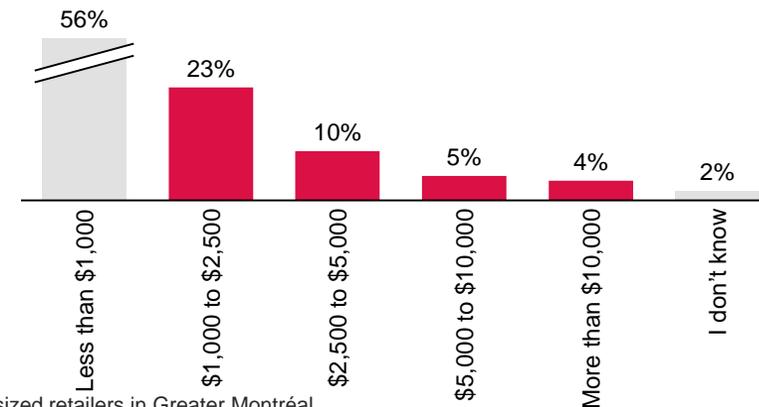
# The pandemic has exacerbated issues related to profitability and high fixed costs

- The crisis has caused **considerable revenue losses**, estimated at between 30% and 40% for Montréal businesses in June 2020. Indeed, 82% of consumers say they have visited stores less frequently.
- In addition, **downtown Montréal is the most heavily taxed area in Canada**, putting pressure on the profitability of downtown retailers.
- Rents may represent 30% to 47% of costs<sup>(a)</sup> depending on location; however, **high fixed cost issues associated with leases have been exacerbated**. In this context, retailers have **little bargaining power** with property management companies.
  - Only 26% of retailers say they negotiated an agreement during the shutdown, so the majority paid their rent in full even though they were closed.
  - In the fashion industry, **in addition to fixed cost issues, retailers specifically face significant cash flow and inventory management challenges requiring negotiations with supplier-distributors.**
- The crisis has also generated new costs: more than **40% of retailers** say they have **spent more than \$1,000 per store to implement health measures**. A wave of **insolvency** is expected for 2021 if financial support measures are reduced.

**Survey on the level of in-store visitors compared to the pre-crisis period in Quebec**  
2020, in %



**Survey on the costs associated with health measures in Quebec**  
2020, in Can\$ per store, in %.



Notes (a): Estimated operating costs based on income statements from small and medium-sized retailers in Greater Montréal.

Source: Conseil québécois du commerce de détail, "Rapport Panel CQCD" (2020); Conseil québécois du commerce de détail, "Sondage aux détaillants" (2020); Interviews; KPMG analysis

## Foodservice is among the sub-sectors most affected by the pandemic

- The pandemic led to a drop in foodservice sales. In Quebec, **sales dropped by 32%** between January and July 2020. Montréal was hit harder with a 50% drop in sales, **equivalent to -\$4 billion** in spending.
  - Bars also suffered a significant setback, with a 64% drop in sales across Quebec.
- Dining room closures **and** capacity limits **create profitability challenges: 39% of restaurant owners believe that 75% capacity would be financially viable, which is often difficult to achieve by enforcing social distancing measures.**
- Although **48% of restaurant owners have established a delivery or take-out system**, this generates **no more than 15% of regular sales** for more than half of the establishments concerned.
  - Some work with delivery platforms (e.g. UberEats, Doordash), but these can take up to 30% of the restaurant bill.
- The **outlook for the future is alarming** with **3,000 restaurant closures expected in Montréal over the next year**

### Survey on the situation in the foodservice industry in Quebec (pre-“red zone”)

July 2020, in %

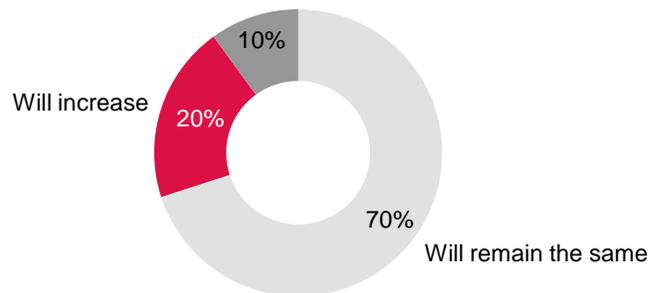
Topics	Results
<b>Bankruptcy</b>	61% said they would not be able to continue for more than six months due to the pandemic and the current government guidelines.
<b>Payment of operational costs</b>	67% are very concerned or extremely concerned about their ability to pay rent, suppliers and employees.
<b>Capacity</b>	For <b>57%</b> , current capacity is only between <b>40%</b> and <b>60%</b> of their pre-pandemic capacity. <b>39%</b> of restaurant owners rather believe that 75% capacity would be financially viable, <b>22%</b> say <b>60%</b> capacity, and <b>26%</b> say <b>50%</b> capacity.
<b>Online sales</b>	<b>48%</b> of restaurant owners have established a delivery or take-out service during the crisis. In <b>53%</b> of cases, delivery or take-out sales covered only <b>15%</b> or less of regular sales.

Source: Associations des Restaurants du Québec , “Sondage ARQ Covid” (2020); Interviews; KPMG analysis

## E-commerce issues have been further intensified for retailers who have yet to go digital

- The pandemic led to a **99% increase in online purchases in Quebec**. In October 2020, 20% of Quebecers believe the number of **online purchases will increase**. At the same time, the number of Quebec retailers selling online has doubled since the beginning of the crisis.
- This increase created challenges for retailers who **had yet to go digital before the pandemic**. Indeed, customers expect an **omnichannel experience**, which requires **major transformation of the customer journey**.
  - Smaller stores are postponing the establishment of an online sales site, as managing it would require hiring at least one full-time employee.
- In addition, **pre-COVID delivery challenges still exist**. For example, delivery delays doubled in May 2020. Despite the delays, **89% of Quebecers say they prefer having their upcoming holiday purchases delivered to them**.
  - Delivery issues are related to Greater Montréal's logistics and infrastructure, which were not designed for "last mile" delivery.
- An increase in online shopping is projected for Black Friday and Christmas. These periods generally account for **50% of sales**; however, **local retailers do not currently have the digital means** to meet demand.
  - 78% of consumers say they plan to shop online this holiday season. Nevertheless, the pandemic has highlighted the inadequacy of delivery arrangements for small businesses in both the retail and foodservice sectors.

**Survey on the projection of the level of online purchases in Quebec**  
November to January 2020, in %



**Survey on the preferred delivery method for holiday shopping in Quebec**  
October 2020, in %



# The crisis had an impact on consumer habits, some of which may become firmly entrenched in the long run

- The crisis seems to have undermined consumer confidence in Quebec. In August 2020, **34% thought the worst of the crisis was yet to come**, while 14% thought the worst was over. In addition, 77% said they were afraid of contracting COVID-19.
  - In addition, 20% said they felt financially insecure about the future.
- The lockdown and working from home **influence** purchasing habits. Consumers are investing more in product categories related to their **domestic spaces and health**. **Cocooning and feeling at home have become a major trend**.
  - Many Quebec retailers selling renovation-related products saw an increase. For example, Patrick Morin recorded a 10% growth in August 2020, almost double the rate for the same period last year.
- Since the start of the pandemic, there has been an increase in **local and responsible purchases: 20% of Quebecers say they started favouring buying local** since the start of the crisis. Platform and communication initiatives such as the “Panier Bleu” have encouraged such habits.
  - The vision for the Panier Bleu initiative is to become an aggregator redirecting consumers to the retailers’ transactional sites. The product is the focal point of the site, which enables consumers to identify all the retailers that sell a product close by.
- Developments have yet to be confirmed over the long term; however, the longer the crisis lasts, the more certain behaviours could persist.

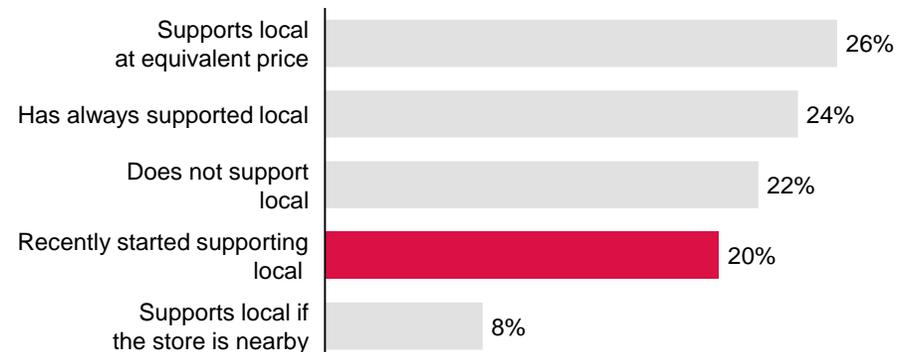
## Survey on consumer confidence levels in Quebec

October 2020, in %

Anticipation of the crisis		Fear of contracting COVID-19	
Worst is yet to come	34%	A little afraid	58%
Worst is behind	14%	Very scared	20%
Worst is now	40%	Not at all afraid	19%
Don't know	13%	Doesn't believe in COVID-19	3%

## Survey on shifts in interest for buying local in Quebec

2020, in %

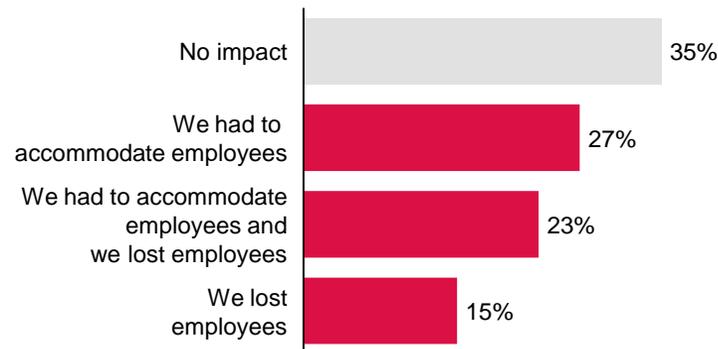


Source: Conseil québécois du commerce de détail, “Rapport Panel CQCD” (2020); Conseil québécois du commerce de détail, “Sondage aux détaillants” (2020); ICI Radio Canada “Consommation de produits pendant la pandémie,” (2020); Interviews; KPMG analysis

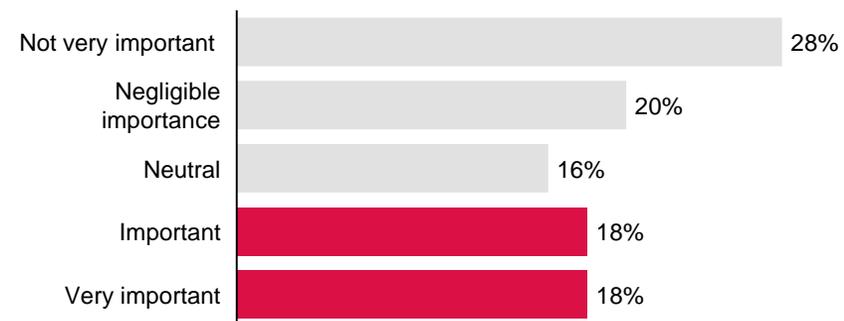
## Workforce challenges have been further intensified for retention and recruitment in the retail sector

- The pandemic has led to a **significant reduction of retail jobs in Montréal**, a drop equivalent to 7% (160,000 jobs) between mid-March and June 2020.
- Some of the **government’s actions to support wages have amplified workforce retention issues**. More particularly, 65% of retailers report having lost or having to accommodate employees due to CERB.
  - Other actions, such as **wage subsidy**, appear to have helped retailers where their financial situations allowed them to continue operations.
- Retailers also face challenges including **retraining the workforce and recruiting skilled labour to support the accelerated digital transformation**. As of September 2020, 36% consider these issues important.
- Types of jobs are changing with the growth of e-commerce. For example, in October 2020, Walmart announced the hiring of 1,700 people in Quebec for positions related to e-commerce, marketing, customer experience, warehousing, and delivery.

**Survey on the impact of CERB on recruitment**  
September 2020, in %



**Survey on the importance of workforce issues related to recruitment and retention**  
September 2020, in %



Source: Conseil québécois du commerce de détail, “Sondage aux détaillants” (2020); Communauté métropolitaine de Montréal “Impact économiques dans le grand Montréal” (2020); Interviews; KPMG analysis

# 3

## AID MEASURES AND USEFULNESS

# Cross-functional measures: A multitude of relevant programs that are often unknown to businesses

The sector was able to benefit from **cross-functional aid from various levels of government**, but many retailers and restaurants were **unaware that they were eligible for such aid**. In addition, the **heavy bureaucracy and costs associated with the application process** discouraged some retailers from participating.



## FEDERAL MEASURES HAVE HELPED RETAILERS TO IMPROVE THEIR CASH FLOW

- The Government of Canada has implemented many relevant measures, mostly in the form of subsidies. These subsidies have mitigated the impact of the pandemic and lockdown on retailers' cash flow (e.g. tax deferrals, emergency wage subsidy, forgivable rent reduction loan).



## PROVINCIAL MEASURES TO SUPPORT CASH FLOW AND DIGITAL TRANSFORMATION

- The provincial government, through Investissement Québec, has established the PACTE program to make loans to support cash flow for various sectors affected by the pandemic.
- The government has also made digitalization programs available to the sector (e.g. a portion of the ESSOR program has been adapted for companies with liquidity issues as a result of COVID-19).



## THE VILLE DE MONTRÉAL HAS FOCUSED ON SUPPORTING DIGITAL TRANSFORMATION AND REVITALIZING THE CITY CENTRE

- The Ville de Montréal has funded various programs to help retail businesses go digital.
- The city has also implemented a summer program aimed at attracting Montrealers to the city centre to help revitalize the area.

Note: See the appendix for a detailed analysis of the cross-functional measures.

Sources: Interviews

# Since March 2020, governments have proposed several cross-cutting support measures (1/2)

Among the various measures implemented by the government and aimed at all economic sectors, some are particularly appreciated by the retail and foodservice sectors. However, apart from salary- and workforce-related measures, most programs are in the form of loans.

		Description	Lead organization	Type of financial support	Approved amount	Comment
Government of Canada	Payment deferral	Deferral of sales tax payments			N/A	Open to companies in the sector
		Deferral of income tax payments	CRA	Deferred payment	N/A	Open to companies in the sector
		Deferral of GST/HST payments from March 31 to June 30, 2020			N/A	Open to companies in the sector
		Deferral of tax return to June 1, 2020, and tax payments until after August 31	CRA	Deferred payment	N/A	Open to companies in the sector
Wage subsidy	Emergency Wage Subsidy (CEWS)	Allows employers who have suffered a loss in revenue to receive a temporary wage subsidy	CRA through the online portal	Subsidy	75% of salary paid; maximum weekly pay of \$847 per employee.	Open to companies in the sector that have suffered a 30% reduction in revenue
	Temporary Wage Subsidy	<b>Type of company:</b> All types except public bodies. The temporary wage subsidy is open to SMEs only	No application required	Subsidy	10% of salary paid; maximum of \$1,375 per employee, and \$25K per employer	Open to companies in the sector
	Canada Emergency Rent Subsidy (CERS)	The new CERS builds on the previous program by providing direct, targeted and accessible assistance to eligible organizations affected by COVID-19, without having to go through the building owner	CRA	Forgivable loan	Additional subsidy of 25%, plus the subsidy at the rate of 65%	Open to companies in the sector
	CECRA for small businesses	Provides forgivable loans to commercial property owners so they can lower the rent of small businesses <b>Type of company:</b> Small business	CMHC	Forgivable loan	Up to 50% of gross monthly rents (not exceeding \$50K)	Open to companies in the sector
	Large Employer Emergency Financing Facility (LEEFF)	Provides bridge financing to Canada's largest employers to help them retain staff and keep their operations going <b>Type of company:</b> Large companies	(CDEV)	Interest-bearing loan	\$60M and over	Open to companies in the sector, but subject to restrictions that do not make it particularly attractive to very large companies

Source: Government of Canada Assistance Program; Government of Quebec Assistance Program; KPMG analysis.

# Since March 2020, governments have proposed several cross-cutting support measures (2/2)

	Description	Lead organization	Type of financial support	Approved amount	Comment	
Government of QUEBEC (provincial level)	<p><b>PACTE</b> (Concerted Temporary Action Program for Businesses)</p>	<p>Supports companies with cash flow issues as a result of COVID-19. Depending on the size of the company (large or SME), their working capital requires an amount that is greater or lower than \$50,000</p> <p><b>Type of company:</b> All</p>	<p><b>Clients:</b> Investissement Québec (IQ)</p> <p><b>Non-clients:</b> Financial institution</p>	<p><b>Interest-bearing</b> loan or loan loss guarantee</p> <p>More than \$50K or less than \$50K depending on the size of the company</p>	<p>Open to companies in the sector if they can demonstrate that COVID-19 has temporarily affected their cash flow</p>	
	<p>In addition to the PACTE, the <b>ABRUMA</b> (Assistance for Businesses in Regions Under Maximum Alert) will be available as of October 1, 2020, for businesses in a red zone</p>	<p>The ABRUMA consists of a <b>non-repayable loan</b> (loan forgiveness) effective after the capital moratorium, equal to 100% of eligible expenses associated with the rental or ownership of the building, up to a maximum of \$15,000 per month of closure in a red zone, for a maximum of 80% of the loan amount. Eligible expenses for loan forgiveness include:</p> <ul style="list-style-type: none"> <li>• municipal and school taxes;</li> <li>• rent (the part not covered by another government program);</li> <li>• interest on a mortgage;</li> <li>• insurance;</li> <li>• telecommunication costs;</li> <li>• utility costs (e.g. electricity and gas);</li> <li>• association fees and licences.</li> </ul>				
	<p><b>PACME</b> (Concerted Action Program for Maintaining Employment)</p>	<p>Provide financial support to cover training costs and assist businesses that had to downsize their normal operations to keep going during the pandemic</p> <p><b>Type of company:</b> All types and self-employed workers</p>	Government of Quebec	<b>Subsidy</b>	Up to \$100K to cover 100% of training costs and 50% of expenses between \$100K and \$500K	The program is now closed
	<b>Technical support program</b>	Provision of a team of professionals offering technical support to perform the audit and health adaptation of institutions in need	ASFQ	Technical support	Various services offered	Services include: audit of the premises, space adaptation solutions (e.g. customer path, signage, reorganization, and installation) and work planning assistance
	<b>Emergency Assistance for Small and Medium-Sized Businesses</b>	Offers a loan or loan guarantee of up to \$50,000	Government of Quebec	Loan or guarantee	Can reach up to \$50K	This program is designed to help businesses facing a liquidity shortage

Source: Government of Canada Assistance Program; Government of Quebec Assistance Program; KPMG analysis.

# Further support is made available by the municipal government, business development organizations and the private sector

		Federal	Provincial	Municipal	Other
Types of issues	<b>Workforce issues</b> <i>(cost and training)</i>	Emergency and Temporary Wage Subsidy	Concerted action program to maintain employment (PACME)*		
	<b>Liquidity issues</b>	Canada Emergency Business Account Regional Relief and Recovery Fund – RRRF	Guaranteed loan (IQ) Concerted temporary action program for businesses – PACTE Emergency Assistance for Small and Medium-Sized Businesses – PAUPME Assistance for Businesses in Regions Under Maximum Alert – ABRUMA (IQ) Local Investment Fund – LIF Business assistance – Temporary working capital support program (SODEC)		Business Credit Availability Program – BCAP (EDC and BDC) Purchase Order Financing (BDC)
	<b>Rent issues</b>	Canada Emergency Commercial Rent Assistance – CECRA* Canada Emergency Rent Subsidy – CERS	Emergency Assistance for Small and Medium-Sized Businesses – PAUPME		
	<b>Tax issues</b>	Deferral of GST/HST* payments Deferral of income tax return*			
	<b>Digital</b> <i>(platform and logistics)</i>	Small Business Relief Fund – Canada United	Fonds de consolidation des activités commerciales*	Free support measure to back the recovery of Montréal's SMEs in conjunction with the Conseil québécois du commerce de détail	Panier Bleu Facebook Small Business Grants Program (Facebook for Business) Shopify Capital Funding
	<b>Accessibility issues</b>			Free parking on weekends Extended business hours Adjustment of construction schedules in Montréal Property tax freeze for 2021	Urban delivery service offered to shopkeepers (Jalon MTL and COOP Carbone)
	<b>Other</b>	Amendments to Bill 61 ABRUMA program	Financial compensation (\$5.3M) for businesses that sell alcohol to help them reduce their annual operating fee bill equivalent to the amount due for four months		

*\*Measures are no longer available as of October 1, 2020*

Source: Government of Canada Assistance Program; Government of Quebec Assistance Program; News article; KPMG analysis.

# Criteria to apply for aid measures could be better adapted to the needs of retailers and restaurants

Criteria	Aid	Comments
<b>Size</b> <i>(board, no. of employees, etc.)</i>	Large Employer Emergency Financing Facility (LEEFF – federal) Canada Emergency Rent Subsidy – CERS Free support measure to back the recovery of Montréal’s SMEs in conjunction with the Conseil québécois du commerce de détail Facebook Small Business Grants Program (Facebook for Business)	For companies with revenues of at least \$300M For companies with a maximum rent of \$50K per month For companies with less than 250 employees For companies with 2 to 50 employees
<b>Location</b> <i>(red zone, etc.)</i>	Assistance for Businesses in Regions Under Maximum Alert – ABRUMA Facebook Small Business Grants Program (Facebook for Business)	The company must be located in the red zone  The company must operate in a specific zone, including the Montréal area
<b>Extent of financial losses</b> <i>(decrease in revenues, profits, etc.)</i>	Emergency Assistance for SMEs (provincial) Loans from EDC and BDC (federal) Emergency Assistance for Small and Medium-Sized Businesses – PAUPME	The company must demonstrate that it was profitable for 12 to 18 months prior to the pandemic to access the aid  The company must demonstrate a causal link between its financial or operational problems and the COVID-19 pandemic
<b>Other requirements</b>	Urban delivery service offered to shopkeepers (Jalon MTL and COOP Carbone) Shopify Capital Funding	The company must be a member of the Société de développement commercial de Montréal  The company must have a Shopify account

Source: Government of Canada Assistance Program; Government of Quebec Assistance Program; News article; KPMG analysis.

# Measures have been implemented to help retailers meet their costs and operational challenges



## CEBA: Canada Emergency Business Account

- The program provides **loans of up to \$40,000 to small businesses**. The loans are interest-free for one year, with the **possibility of a debt write-off** of up to \$10,000 (25%) if the loan balance is repaid by December 31, 2022.



## RRRF: Regional Relief and Recovery Fund

- The RRRF is an initiative with a budget of more than \$280M for Quebec. The RRRF is designed to help companies with **immediate liquidity needs**. It is intended for all economic sectors in Quebec, including retail.



## CERS: Canada Emergency Rent Subsidy

- The new CERS is a rent support measure that will replace the previous rent assistance (CECRA). The CERS provides 25% to organizations that have had to temporarily close their doors due to a mandatory public health order (in addition to the 65% subsidy). The subsidy provides targeted aid that is directly accessible without having to go through the building owner. Companies have until December 31 to receive their increase.
  - Generosity related to the open or closed status of a business based on zone is problematic—the aid should rather be allocated based on the level of loss.
  - The retroactivity of the aid allowed under the new CERS is set at September 27, but should instead be set at the date of implementation of the emergency rent assistance.



## Example of non-government assistance:

**In addition to financial support, some retailers and restaurants need support to develop further skills to help them adapt to new market dynamics.**

- **La Ruche crowdfunding campaigns:** La Ruche has launched various crowdfunding campaigns to support retailers. These campaigns have raised more than \$11M in total. Other campaigns have **contributed professional expertise and material resources to retailers.**

# The provincial government has implemented measures to help retailers speed up their digital transformation

Several programs are available to companies to help them get funding for their digital transformation:

- Investissement Québec manages two relevant programs (ESSOR and Audit 4.0).
- The Ville de Montréal has created incentives for retail businesses to speed up their digital transformation.

## ESSOR

- The **objective of this program** managed by Investissement Québec is to fund growth investments by companies in various sectors.
- One of its four components—investment—is particularly aimed at the retail sector. This component covers up to 50% of eligible project expenses of less than \$250,000 through loans or loan guarantees. It is used to get funding for additions to capital assets (for the retail sector, only digital equipment and software are eligible).

## Audit 4.0

- The Audit 4.0 program is a direct assistance program managed by Investissement Québec and aimed at all sectors. Its objective is to **encourage as many Quebec companies as possible to go digital**.
- The program is structured in two consecutive phases: a diagnosis and digital plan, followed by an implementation plan.
- The maximum aid rate is 50%: for Phase 1, the limit is \$20,000 and for Phase 2, the limit is \$10,000.

## Ville de Montréal measures

- **The Fonds temporaire de consolidation des activités commerciales** is a subsidy managed by PME Montréal that offers subsidies of up to \$10,000 and not exceeding 75% of the total project cost. The Fonds targets sectors needing assistance to achieve their digital transformation.
- **Free support to speed up the digital transformation:** non-monetary assistance from the Ville de Montréal in the form of coaching by digital marketing consultants for SMEs to support them in planning their digital transformation.

Sources: Investissement Québec, Ville de Montréal, PME Montréal, KPMG analysis

# Le Panier Bleu and other private initiatives were launched during the pandemic to support local purchasing

## Le Panier Bleu

The aim of Le Panier Bleu is to bring together all initiatives that support local business. Le Panier Bleu stands out for its strategy that combines:

- **A website that makes it easier to find products:** the site focuses on the consumer’s need for a product. The platform directs consumers to local shops, including arteries or neighborhoods.
- **A shared platform offering front-office and back-office services.** The site is based on existing technological solutions to provide a centralized purchasing platform for local retailers.
- **A delivery solution:** in the short term, the program wishes to encourage store pickup for the holiday season. In the longer term, it could group together deliveries from the same street to the customer.

However, interest in Le Panier Bleu has dropped since its launch (visitors down 75% between May and July 2020). It is important that the platform increase its added value beyond the catalogue.

## Other initiatives

Many other private and government initiatives have been implemented to bring consumers closer to local retailers. Although some initiatives are a continuation of Le Panier Bleu, it is important that these initiatives work together to have the biggest impact on consumers.

**Examples of private sector initiatives:**

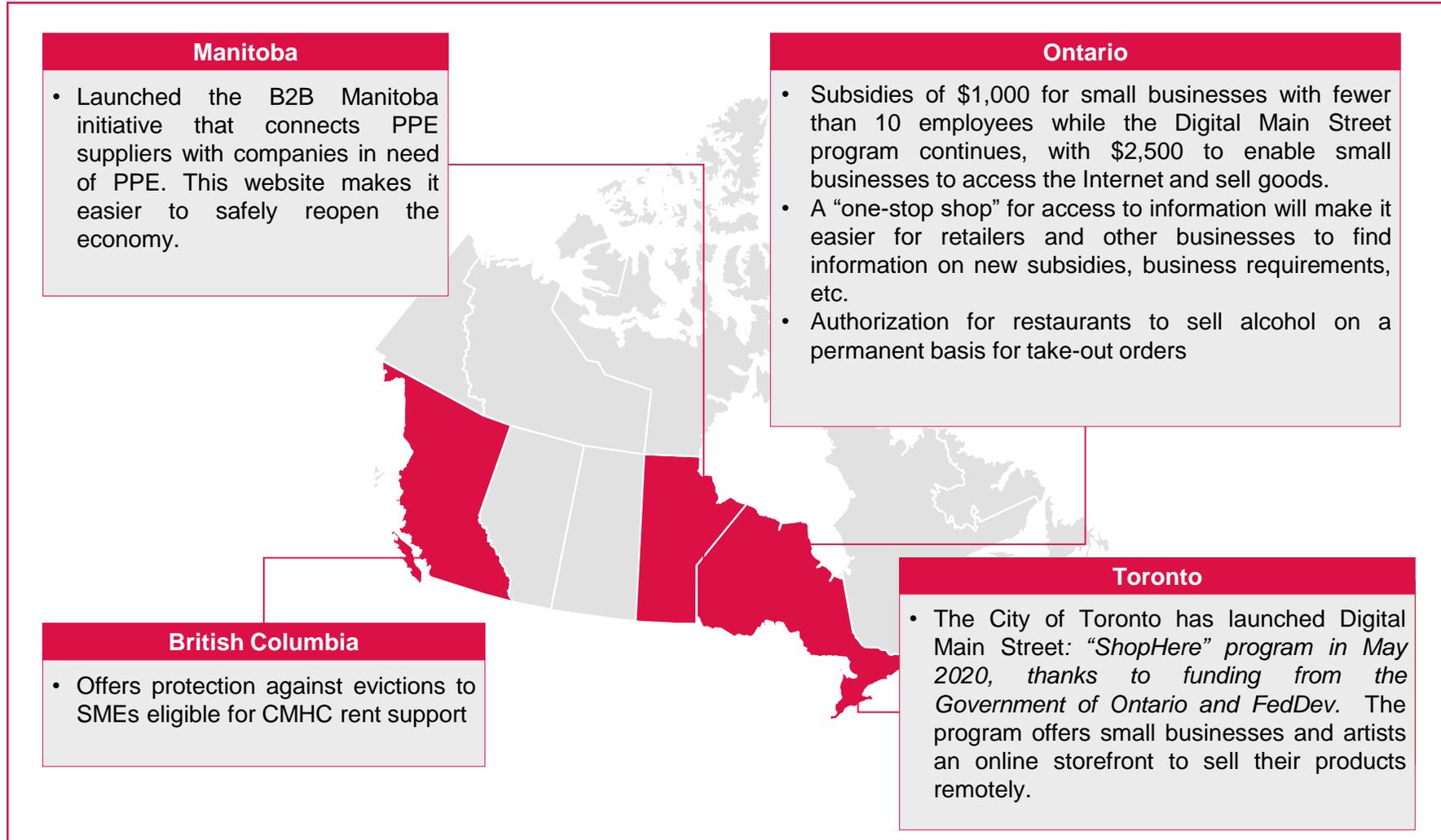
- **Cercle local:** this is a platform promoting “hyper local” shopping. It currently includes retailers in neighbourhoods such as Mile End and the Plateau.
- **Hello Network Inc.:** the platform worked with the Ville de Montréal to implement GO MTL cards to stimulate local purchases through **reward systems that attract customers to retailers.**
- **Modulo warehousing site in Lévis:** the site includes storage, office and meeting room rentals as well as businesses offering packing and moving equipment.

**Examples of economic development initiatives:**

- **J'achète Bleu:** this communication campaign was launched by the FCCQ during the pandemic to support local purchasing and is carried out in partnership with Le Panier Bleu program.

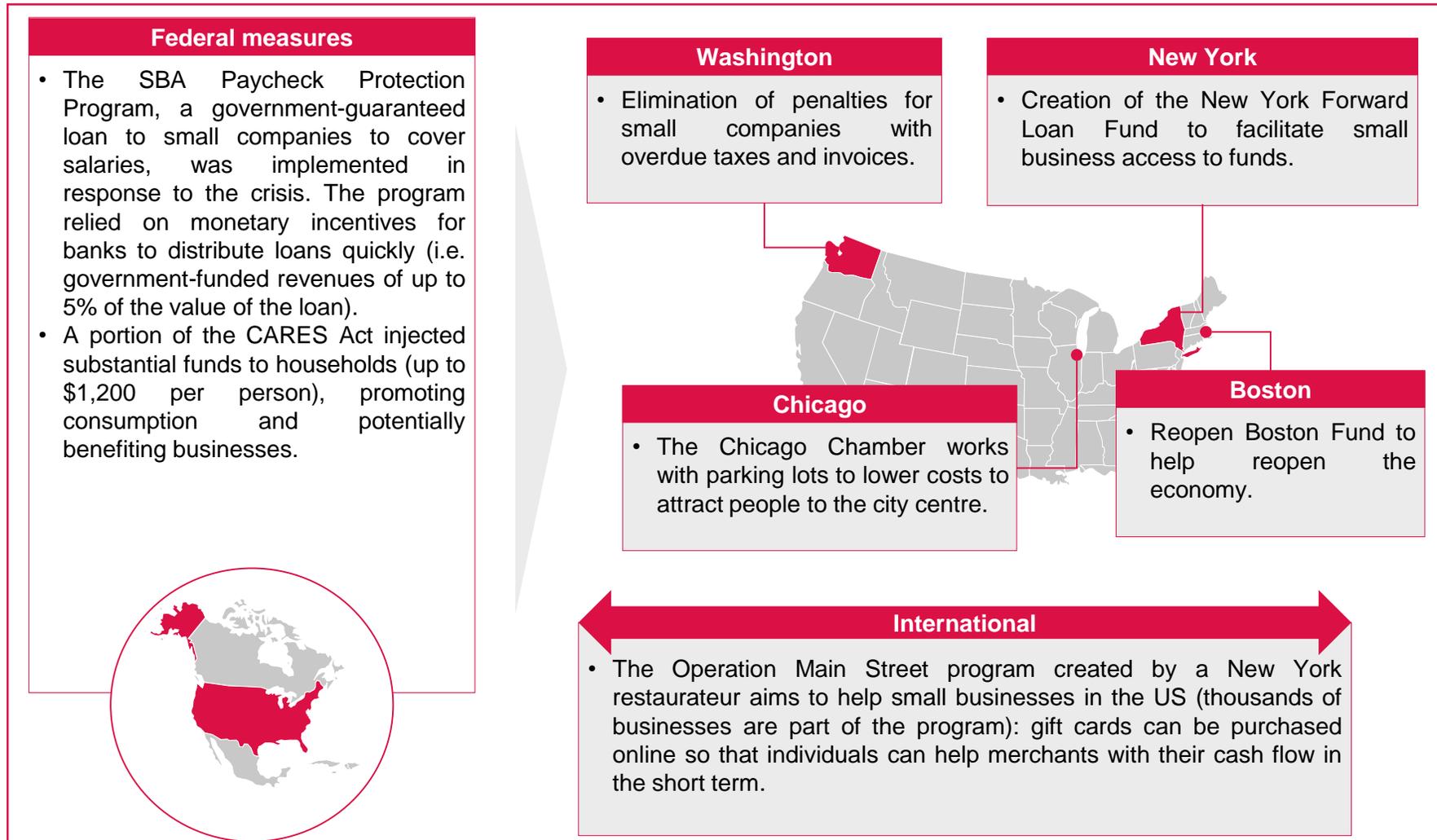
**It is important that the key players of these initiatives work together:  
Le Panier Bleu’s shared platform would be part of this approach**

## Across Canada, other provinces like Ontario have implemented many measures to stimulate the retail sector



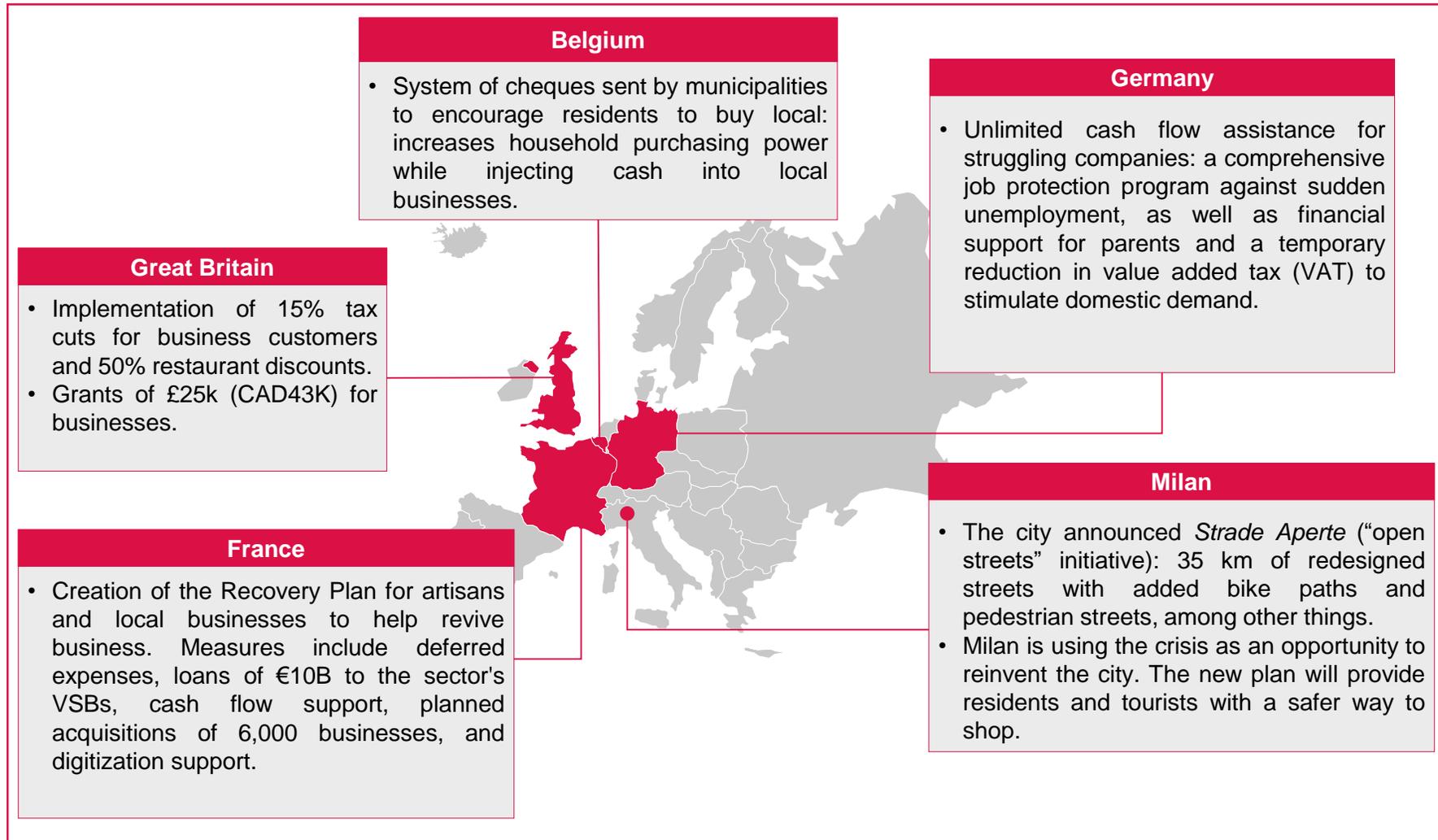
Source: City of Toronto, KPMG analysis

# Federal and state legislators have implemented sector-specific measures in the United States



Source: US Government, OCDE, New York State, Operation Main Street, KPMG analysis

# In Europe, a number of measures are designed to support the sector over the long term



Source: Forbes, interviews, KPMG analysis

# China and Dubai have helped the retail sector to boost its cash flow



The image features a map of the Middle East and East Asia. Two callout boxes are present: one for the United Arab Emirates (UAE) on the left and one for China on the right. The UAE callout box is titled 'United Arab Emirates' and contains a bullet point describing how Dubai has helped businesses by intervening in commercial rents. The China callout box is titled 'China' and contains a list of five bullet points describing how the retail sector in China has adapted to the COVID-19 crisis through digitalization and government support.

### United Arab Emirates

- Dubai has enabled businesses to breathe a sigh of relief by intervening in commercial rents by asking landlords to agree to renegotiate rents. The judicial system even goes so far as to impose these renegotiations in certain circumstances.

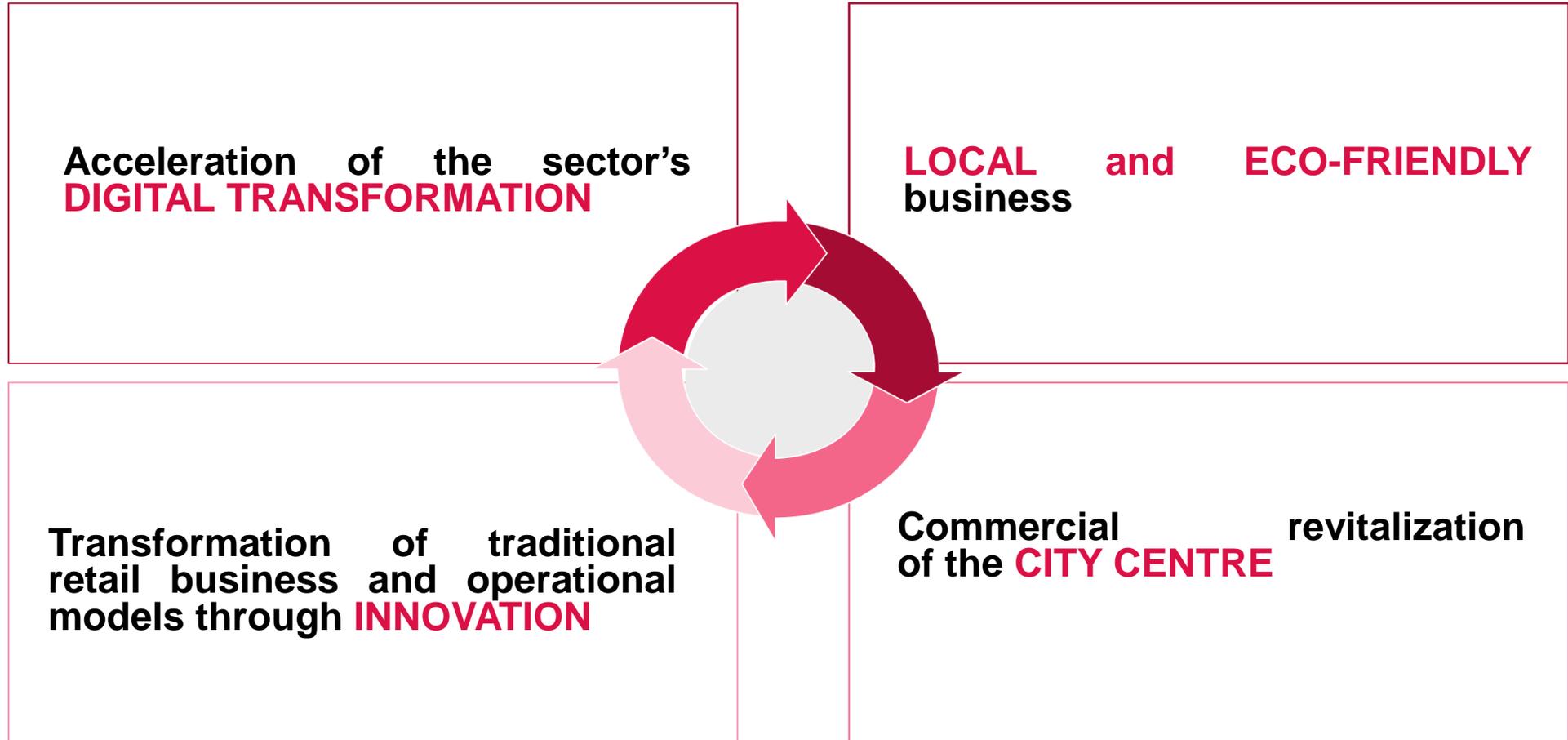
### China

- In China, the retail sector has quickly adapted to the new reality thanks to the technology giants.
- The COVID-19 crisis has accelerated the need for businesses to go digital to ensure the continuity of their sales during the health crisis.
- For example, Alibaba has integrated new platforms for local businesses to sell their products online.
- Similarly, Meituan-Dianping, a giant home-delivery company, installed autonomous vehicles and contactless pickup bins in 30 days, eliminating contact with drivers and saving the restaurant industry.
- The economic foundations established by the Chinese government have created an agile ecosystem that has adapted and innovated in real time to counter the health crisis and to boost the retail sector.

# 4

## SECTOR-SPECIFIC BUSINESS OPPORTUNITIES

# Beyond the pandemic, four opportunities for the retail and foodservice sectors



The following pages detail each major opportunity and identify the stakeholders involved.

 (governments and other players in economic and commercial development,  retail businesses,  foodservice companies).

# Acceleration of the sector's digital transformation

The pandemic has **accelerated online sales**. However, even before the pandemic, **the sector lacked the digital maturity** to meet consumers' needs, namely due to related costs or a lack of in-house expertise. There is a need to **speed up and generalize the digital transformation to a greater number** of retail and foodservice companies, both in the customer journey and earlier in the process (logistics and procurement), and to **increase the profitability of online sales**. This digital maturity requires **accessible government support programs** (subsidies, advice, training, etc.) and **sector-specific development organizations**.

## ADAPTING SUPPLY AND EXPERIENCE TO DIGITAL CHANNELS

- Adapt digital channels to develop a **differentiated and profitable product offering** for the company (e.g. high-margin SKUs or targeting new geographic markets for retailers, adapting menus for restaurateurs, etc.)
- For restaurateurs, adopt a digital platform (*transactional site*) for *online booking, order taking, payment, recommendations, etc.*, while linking this platform to social media and SEO tools.
- Attract talent and skilled **workforce** for digital strategy and operations



*Small establishments*



*Especially big players*

## STRATEGIC USE OF DATA TO DRIVE SALES AND ATTRACT TRAFFIC

- Invest in customer **data analytics** (artificial intelligence, big data, etc.) to personalize the offer, push the most profitable SKUs, increase online sales, attract in-store or in-restaurant customers with targeted promotions and enhance the experience throughout the customer journey.
- Collaborate with other players to collect this data (shopping centres, startups, digital platforms, 3PL, etc.).



*Especially big players*



## POOLING RELATED DIGITAL AND LOGISTICS SERVICES

- Increase investment in **delivery capacity to make these services more affordable to retailers through economies of scale**.
- Develop an **aggregator (one-stop-shop)** of existing and future logistics solutions to help retailers and restaurateurs easily access these services and offer them an appropriate choice.



*In partnership with the private sector*

## EASILY ACCESSIBLE, ONE-STOP SUPPORT AND ASSISTANCE PROGRAMS FOR RETAILERS AND RESTAURATEURS AS THEY GO DIGITAL

- Provide subsidies **based on the size of the company to limit the cost to acquire** digital tools and platforms.
- Support retailers in the **development of internal skills** required to efficiently use digital tools (subsidized training).
- Review the **tax inequity** associated with cross-border e-commerce transactions and regulate **credit card** transaction fees to ensure fairness between businesses and reduce interchange fees.



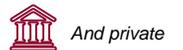
**KEY TO SUCCESS!**

# Transformation of traditional retail business and operational models through innovation

In the wake of the digital transformation, traditional retail models have had to evolve.\* The sector was already in **full transformation** before the pandemic. It must now take advantage of the momentum to *adapt its business and operational models to digital tech* through innovation, with **profitability** in mind. In addition, given that the commercial real estate sector could suffer long-term damage as a result of the pandemic, **risk-sharing models between lessors and tenants** could be redesigned towards a more flexible mix on the fixed portion of rents depending on the company's turnover. Lastly, **sustained collaboration with other related industries** (e.g. tourism, incubators, knowledge institutions, festivals, and digital businesses) would help strengthen innovation and the reinvention of innovative models.

## EVOLVING BUSINESS AND OPERATIONAL MODELS TO TAKE ADVANTAGE OF DIGITAL TECH WHILE ENSURING PROFITABILITY

- Develop programs and regulatory adjustments to encourage the **transitional use of vacant spaces** for pop-up retail spaces, so emerging local retailers can offer an omnichannel experience linking digital to brick and mortar.
- Develop various delivery options, such as accessible pickup bins, in collaboration with city planning departments and local business development corporations (BDCs).
- Revise the **role and format of well-established stores**, taking into account the importance given to digital technology (customer experience showcase, showrooms, pickup point, etc.).
- Revise **supply chain cost models** (including delivery) to make this distribution method profitable. For larger companies: adapt and automate operations (warehousing, order taking, etc.) and rethink delivery standards for digital purchases. For smaller ones: develop delivery capabilities for the foodservice sector.



And private



## DEVELOPMENT OF COMMERCIAL REAL ESTATE TO SHARE THE RISKS ASSOCIATED WITH LEASES

- Support the **introduction of new players in commercial real estate** (e.g. venture capital) offering rent formulas that reduce the risk associated with fixed costs.
- Introduce new lease and rent formulas and developments in commercial real estate to **renegotiate leases and reduce the financial risks** associated with well-established stores.



## CROSS-SECTORAL COLLABORATION WITH RELATED INDUSTRIES (arts, video games, digital, etc.), TO PROMOTE INNOVATION IN THE RETAIL AND FOODSERVICE SECTORS

- Create cross-selling opportunities within related sectors (through economic and sectoral clusters and development organizations).
- Leverage the augmented reality solutions offered by digital companies in fashion, retail and foodservice.
- Together with the tourism industry, promote creative industries and festivals as showcases for Montréal products (food, fashion, retail).



Source: "Opportunités découlant des chapitres 1,2 et 3"; Interviews; "Les 12 travaux du commerce montréalais", Ville de Montréal

\*The extent of the transformation of business and operational models was less visible in the case of foodservice

# Local and eco-friendly business

Greater Montréal consumers' interest and awareness of eco-friendly and local products have evolved in the wake of the pandemic, with a heightened **interest in buying locally-made products**, and in **protecting our jobs**, our **know-how** and our **local economy**. Public health measures imposed during the lockdown (limiting travel between regions, etc.)—paired with the need to get out of a strictly virtual shopping environment—have motivated Montrealers to **rediscover their neighbourhood, local businesses and restaurants**. This trend seems to be part of a longer-term perspective.

## EVOLUTION OF EXISTING PLATFORMS LISTING LOCAL RETAILERS AND RESTAURATEURS

- **Make the Panier Bleu a true aggregator** offering an integrated customer journey and shared logistics and digital services for merchants.
  - **A one-stop shop** listing independent hyper-local initiatives promoting neighbourhood businesses (e.g. Cercle local)
  - Make it easy to search for local products, integrate loyalty programs, link to social media, create a unique customer profile, offer payment solutions, protect customer and payment data regardless of the merchant, consolidate store deliveries from the same street.
  - Negotiate favourable operating conditions for local retailers and restaurants by developing a **shared offer**.



## LOCAL PROCUREMENT

- Support **investments in the development of local manufacturing** to increase accessibility and automation and lower the prices of local products

## REDESIGNING COMMERCIAL ARTERIES

- Evolving **role of BDCs** in revitalizing commercial arteries, including traffic growth and strategic analysis of traffic data to support merchants in their operations.
- Develop commercial arteries by ensuring **mixed use** (green spaces, adequate mix of independent stores, chains, restaurants, tourist attractions, culture (street art), entertainment, etc.).
- Improve urban design to **facilitate access to main streets**, improve **parking** and **adapt roads to new eco-friendly delivery and pickup practices**.



## LARGE-SCALE CAMPAIGNS TO PROMOTE MONTRÉAL BUSINESSES

- Support for the initiatives of BDCs and merchants associations in favour of local and proximity purchasing.
- Raise consumer awareness of the environmental challenges of expedited delivery and offshore production.
- Promote local product attributes (local menu, market products, Montréal design, manufactured in Montréal, etc.)



Source: “Opportunités découlant des chapitres 1,2 et 3”; Interviews; “Les 12 travaux du commerce montréalais”, Ville de Montréal

# Commercial revitalization of the city centre

The city centre has been particularly affected by the pandemic. Since the beginning of the crisis, the city centre has noted a 92% drop in attendance and was gradually left **void of tourists, students, and workers**. These are the customer segments that give the city centre its vitality. This drop in attendance has had **a catastrophic impact on businesses and restaurants in terms of revenue**. Downtown Montréal is in danger of losing its lustre! **The retail and foodservice sectors** (business and economic and commercial development organizations) must make their voices heard and be actively involved in the plan to revitalize the city centre.

## RETHINK GOVERNANCE AROUND THE ECONOMIC DEVELOPMENT OF THE CENTRAL BUSINESS DISTRICT

- Mobilize the municipal resources dedicated to economic, commercial and urban development in the city centre (the area with the highest commercial concentration in Montréal, but which currently has only one and a half positions dedicated to economic development for 20,000 businesses).
- Enhance the city's earmarked **budget** and tailor **support programs** to the specific situation of downtown businesses



## RETHINK THE CITY CENTRE'S POSITIONING AS A UNIQUE AND DISTINCTIVE DESTINATION

- Attract **anchors** or **unique local merchants/restaurateurs** to create traffic in the central business district.
- Develop a **mix** of independent stores, large banners, high-end restaurants, casual eateries, innovative food courts, foodtrucks, tourist and cultural attractions, architectural heritage, etc.
- Develop **entertaining experiences** related to the arts, technology, diversity, the seasons, etc.



## OPTIMIZE URBAN DEVELOPMENT AROUND THE CENTRAL BUSINESS DISTRICT

- Facilitate **access to the city centre** by improving parking and making travel and the **coexistence** of different modes of transportation **more fluid**.

## INCREASE TRAFFIC THROUGH PROMOTIONAL STRATEGIES AND A CAMPAIGN TO PROMOTE DOWNTOWN BUSINESSES AND RESTAURANTS

- Use digital tools to entice customers to visit downtown stores and stimulate on-site sales.
- Develop unique short-term promotions in downtown stores and restaurants (including chains).
- Launch a **campaign** to promote downtown Montréal's economic synergy and contribution to the green transition while addressing access issues (change perceptions).



Source: "Opportunités découlant des chapitres 1,2 et 3"; Interviews; "Les 12 travaux du commerce montréalais", Ville de Montréal

# 5

## COURSES OF ACTION FOR RELAUNCHING THE SECTOR

# Recommendations and courses of action for the retail and foodservice sector

The following recommendations address three target stakeholder categories:



Target 1

*Businesses  
(the private sector)*



Target 2

*Entrepreneurship and  
economic development  
support organizations*



Target 3

*The different levels of  
government*

Each of the courses of action serves a purpose:



*Ensure the survival of the  
sector during the holidays  
and the beginning of 2021*



*Speed up and  
generalize the digital  
transformation*



*Stimulate local and eco-  
friendly business*



*Continue to transform  
business and operational  
models by focusing on  
innovation*



*Reinvent the city  
centre and  
commercial arteries*

**The courses of action presented below are supported by the Chamber, the Conseil québécois du commerce de détail (CQCD) and mmode, the Metropolitan Fashion Cluster.**

The courses of action are tailored for **retailers and restaurants**, while considering that their respective dynamics and needs may be different depending on the context.

**PLEASE NOTE: DUE TO THE RAPID EVOLUTION OF AID MEASURES, SOME COURSES OF ACTION COULD BE PARTIALLY IMPLEMENTED AT THE TIME OF READING THIS PLAN.**

# Courses of action



## TARGET 1: BUSINESSES

Stakeholders	Recommendation
<p><b>1 Businesses</b></p> <p>Provincial and municipal support</p> <p>Support from organizations</p> <p>Goal</p>	<p><b>Stimulate short-term sales through various initiatives</b></p> <p>a) Facilitate <b>store pickup</b> to reduce wait times, while also reducing the irritants that discourage customers from shopping. Retailers would benefit from establishing a different customer pickup route. Pickup infrastructure can be improved with help from BDCs and the municipality.</p> <p>b) Use digital platforms and marketing tools to <b>motivate consumers to shop</b> downtown and on commercial arteries (e.g. store promotions).</p> <p>c) Evaluate the possibility of developing cross-promotions between retailers, restaurants and the tourism sector.</p> <p>d) Strengthen <b>communications to reassure customers about store accessibility</b> (e.g. communicate about parking access). Other stakeholders will also be able to reinforce this communication (municipalities, shopping centres, etc.).</p> <p>e) For <b>fashion retailers</b>: evaluate the possibility of setting up pop-up shops for certain stores that are traditionally more digital (e.g. Maguire) to encourage people to shop in store.</p> <p>f) For <b>restaurants</b>: take advantage of an <b>online reservation</b> and <b>order management system</b>, which would make it possible to adapt menus and boost sales by facilitating online purchases.</p> <p>g) For small retailers and restaurants: evaluate the possibility of setting up an efficient delivery system to compensate for shortcomings in the existing delivery system.</p>



# Courses of action



## TARGET 1: BUSINESSES

Stakeholders	Recommendation
<p><b>2 Businesses</b></p> <p>Support from the Government of Canada and the Government of Quebec</p> <p>Goal</p>	<p><b>Implement digital strategies by investing in talent and technology tools</b></p> <ul style="list-style-type: none"> <li>a) Develop initiatives to <b>train the current workforce and attract qualified digital specialists</b>, while taking advantage of support programs.</li> <li>b) Invest in the development of digital channels to <b>enhance the customer journey</b> (e.g. CRM or customer experience software).</li> <li>c) Develop <b>data analytics</b> skills to drive physical and online sales. Retailers could work in collaboration with other actors who would provide collected data (e.g., malls, BDCs, etc.).</li> <li>d) For small retailers: adopt a digital transformation strategy by <b>starting off small</b> (provincial or national scale) with existing technological tools, while building on a differentiated offering.</li> </ul>
<p><b>3 Businesses</b></p> <p>Support from the Government of Canada and the Government of Quebec</p> <p>Organizations</p> <p>Goal</p>	<p><b>Review business and operational models while relying on innovation to design differentiated offerings</b></p> <ul style="list-style-type: none"> <li>a) Evaluate opportunities to <b>promote risk-sharing in leases</b>, with reduced rents and the development of a formula that combines base rent and percentage of revenue. A roundtable with all stakeholders could be set up.</li> <li>b) Rethink <b>supply chains</b>, including local and international suppliers, to improve product design cycles.</li> </ul>



# Courses of action



## TARGET 2: ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT SUPPORT ORGANIZATIONS

Stakeholders	Recommendation
<p><b>4</b> NPO (Le Panier Bleu) Government of Quebec</p> <p>Goals</p> 	<p><b>Better integrate initiatives promoting local purchasing by expanding the Panier Bleu’s role as aggregator</b></p> <p>a) Bring together the players behind various “buy local” initiatives to work together. Le Panier Bleu needs to bring different players together so that retailers can better take advantage of existing initiatives (e.g. Cercle local, which promotes “hyper local” shopping)</p> <p>b) Take a product-oriented approach for the Panier Bleu and accelerate communications to stimulate local online shopping.</p> <p>c) Evaluate the possibility of using the Panier Bleu to:</p> <ul style="list-style-type: none"> <li>• Develop clear communication about local products; many consumers are confused about the concept of shopping local.</li> <li>• Negotiate favourable rates for small merchants regarding <b>credit cards and deliveries</b> as part of the development of the Panier Bleu as a shared platform.</li> <li>• Provide 3PL logistics and support solutions for small and medium-sized businesses.</li> </ul>
<p><b>5</b> Chamber of Commerce Organizations</p> <p>Clusters</p> <p>Government of Quebec and municipal government</p> <p>Goals</p> 	<p><b>Support cross-sectoral collaboration to foster innovation and creativity in supply development, and support retailers in their export endeavours</b></p> <p>a) Set up structured <b>cross-industry collaborations to develop</b> distinctive offers <b>that businesses will be able to include in their business models</b>. For example, fashion retailers and digital companies could collaborate on augmented reality experiences. These cross-industry collaborations could take the form of events, workshops, roundtable discussions, training, etc.</p> <p>b) Finance communication campaigns promoting Montréal’s image abroad as an <b>innovative and creative city</b> to support retailers in their export efforts.</p>



# Courses of action



## TARGET 3: GOVERNMENTS

Stakeholders	Recommendation
<p><b>6</b> Government of Quebec and municipal government</p> <p>NPO (Le Panier Bleu)</p> <p>Private sector involvement</p>	<p>Introduce incentives to stimulate sales for local retailers and restaurants during the holiday season and into 2021</p> <ul style="list-style-type: none"> <li>a) Enable <b>expanded store hours</b> to make shopping easier.</li> <li>b) Facilitate short-term access to cars and promote pedestrianization (e.g. reduce construction sites, offer more free parking).</li> <li>c) Invest in <b>physical facilities</b> in the city centre to provide fast and efficient store pickup (e.g. pickup bins).</li> <li>d) Encourage <b>more employees to return to the city centre</b>, in compliance with health measures and public health guidelines, while <b>relying on communication to reassure customers about accessibility and health safety</b>.</li> </ul>
<p>Goal</p>	
<p><b>7</b> Government of Canada and Government of Quebec</p> <p>Private sector and organizations</p>	<p>Expand assistance measures and facilitate access to support programs</p> <ul style="list-style-type: none"> <li>a) Enhance aid budgets <b>to</b> help retailers meet fixed costs and avoid bankruptcy. The subsidy programs offered must take into account various criteria (e.g. business location and associated costs, economic losses of retailers, the different issues facing independent retailers). In addition, limits should be adjusted to take into account the very different costs depending on the location of the businesses.</li> <li>b) Create a <b>centralized platform</b> for access to emergency funds and other support programs. This platform could be accompanied by professional assistance to guide merchants through the process of selecting and applying for support measures.</li> <li>c) Provide retailers with support programs for their business activities, such as HR and procurement.</li> </ul>
<p>Goal</p>	



# Courses of action



## TARGET 3: GOVERNMENTS

Stakeholders	Recommendation
<p><b>8</b> Government of Canada and Government of Quebec</p> <p>Private sector involvement</p> <p>NPO (Le Panier Bleu)</p> <p>Goal</p>	<p><b>Support small and medium-sized retailers in further developing their digital capability and competitiveness in the field of e-commerce</b></p> <p>a) Help <b>retailers develop in-house digital skills</b> by continuing to develop support programs. For example, re-establish a federal program to support main shopping streets with digital tech.</p> <p>b) Increase accessibility to <b>logistics and transportation services for small and medium-sized retailers</b> with government programs to stimulate funding for these solutions. More particularly, support the development of companies that offer services for <b>negotiating and comparing carrier offers</b>. In addition, develop assistance programs to <b>attract investment in the 3PL sector</b>.</p> <p>c) Encourage stakeholder consultation to help retailers <b>protect customer data</b> (e.g. Shopify, Lightspeed).</p> <p>d) During the pandemic, do not tax deliveries as this could increase the profitability of retailers and would not further stimulate business in neighbourhoods and on main streets.</p> <p>e) Accelerate the <b>overhaul of the tax system</b> surrounding e-commerce to reduce tax inequities. International players have a tax advantage over local merchants, allowing them to reinvest more in their growth.</p> <p>f) Ensure that financing is available for private sector solutions. This way, the private sector can develop innovative solutions to overcome the shortcomings of the delivery system.</p>



Sources: Interviews; "Les 12 travaux du commerce montréalais", Ville de Montréal



# Courses of action



## TARGET 3: GOVERNMENTS

Stakeholders	Recommendation
<p><b>9</b> Government of Quebec and municipal government</p> <p>Private sector involvement</p> <p>Goal</p> 	<p><b>Promote local shops and local brands</b></p> <ul style="list-style-type: none"> <li>a) Allocate a portion of <b>communications budgets</b> to campaigns that promote local shops. A larger portion of the budget could be allocated to identifying local products with attractive labels.</li> <li>b) Raise consumer awareness of the <b>environmental challenges of expedited delivery</b> and offshore production before the holiday season.</li> <li>c) Continue to support investments in the development of <b>local manufacturing</b> to increase accessibility to local products and reduce the carbon footprint, including the development of <b>Industry 4.0 and the fashion sector</b>.</li> </ul>
<p><b>10</b> Municipal government</p> <p>Private sector involvement</p> <p>BDC</p> <p>Goal</p> 	<p><b>Develop a strategy for the redevelopment of the city centre and targeted commercial arteries</b></p> <ul style="list-style-type: none"> <li>a) Rethink the downtown shopping experience by focusing on <b>entertaining experiences</b>, while keeping the pandemic in mind.</li> <li>b) Promote greater profitability for downtown businesses by deferring and then <b>lowering municipal taxes</b>, which will allow for a greater diversity of merchants.</li> <li>c) Rethink the <b>design of the city centre and commercial arteries</b> (e.g. by providing green and welcoming spaces).</li> <li>d) Rethink the mix of businesses in the city centre and on commercial arteries to make them <b>destinations</b> again. In particular, <b>large international retailers (e.g. Uniqlo), local stores, pop-up stores and food trucks</b> could be used to develop a unique offering.</li> </ul> <ul style="list-style-type: none"> <li>• BDCs could play an increasingly important role in promoting and ensuring diverse businesses in the city centre and other commercial arteries.</li> </ul>



# APPENDICES

- Bibliography
- List of organizations consulted
- Glossary

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Le Panier Bleu	Alain Dumas	General Manager
La Vie en Rose	François Roberge	President and CEO
Maguire	Myriam Belzile-Maguire	Founder and Designer
Novacap	Frédéric Perrault	Senior Partner
IGA-Sobeys	Alain Ménard	Senior Vice President, Store Operations – Québec
SAIL	Norman Décarie	President and CEO
Centre québécois d'innovation en commerce (CQCI)	Carl Boutet	General Manager
Association des SDC de Montréal (ASCDM)	Caroline Tessier	Executive Director
SDC Destination centre-ville	Emile Roux	General Manager
SDC Promenade Wellington	Billy Walsh	General Manager
Association Restauration Québec	François Meunier	Vice President, Public and Government Affairs
PME Montréal	Alexandre Skerlj	Marketing of Innovations Director – Transportation and Logistics
Hello Network	François Plamondon	President and CEO

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