The Canadian Tire Dealer Model – Blessing or Curse?

Executive Summary

Since the first associate store opened in 1934, Canadian Tire has chosen to expand their company through Dealerships rather than the more popular franchising strategy. In 2013, a new contract was signed that set terms between the Corporation and the Dealers Associated until 2024. This makes Canadian Tire relatively unique among large retailers, as franchising or corporate ownership is far more common. In fact, these large Corporately owned retailers such as Walmart and Target represent a significant threat to Canadian Tire in the Canadian retail marketplace. It is therefore of great importance to examine in detail the Canadian Tire Dealer model to figure how to best align their competitive strategy with the structure of their organization. The framework used to evaluate this problem is as follows:

1. Provide an overview of the Canadian Tire Dealer model
2. Identify the strengths/opportunities and weaknesses/threats inherent in the dealer structure
3. Analyze models employed by other industry leaders
4. Develop recommendations based on the above analysis

The major strength of the Dealer model is the entrepreneurial aspect, arising from the fact that each store is essentially run as an individual company. This allows Dealers to target their store and product offerings towards their customer demographics, and is an effective way to ensure flexibility in retail operations.

The disadvantages of the Dealer model include increased costs, lack of co-ordination within the supply chain network and stores, and difficulties in implementing companywide policies. A benchmarking analysis of several comparable companies led to interesting conclusions. Through this analysis, it became apparent that companies whose stores are corporately owned (such as Walmart, and Target) have a significant advantage when it comes to exploiting efficiencies within their supply chain, and enforcing company-wide consistency. Further insight gained from the recent struggles of Canada Post highlights the massive importance of e-commerce in today's retail landscape.

When weighing the strengths and weaknesses of the Dealer model, it is apparent that a competitive strategy based on focused differentiation should be the Canadian Tire's competitive strategy moving forward. In order to meet this strategic goal, two operational goals must be addressed:

1. Canadian Tire must develop a modern and effective ecommerce platform, which must include direct delivery to customers.
2. Canadian Tire must continue to foster the Corporate/Dealer relationship. Included should be increased training for Dealers in the areas of Supply Chain management, logistics, and LEAN management.

Differentiation will allow Canadian Tire to maximize the benefits of the Dealer model, while minimizing its weakness, and should be the preferred competitive strategy moving forward.