



THE MANITOBA CHAMBERS OF COMMERCE
ENTREPRENEURIAL SPIRIT - COMMUNITY VALUES

Edward Kennedy, North West Co., profiled As Top Retail Executive*

On Sept. 29, 2009, a tsunami struck American Samoa, killing 32 people on the island and leaving many more homeless. Local retailer Cost-U-Less, owned by the Winnipeg-based North West Co., immediately began distributing water to surrounding villages. The company used its distribution capability to bring in extra supplies for assistance. In co-operation with the Red Cross and other aid agencies, the local store became a centre for the relief effort.

“The real difference between this situation and a disaster that might strike a larger, less remote area is that we were a focal point for assistance, not just one of dozens of possible options for the government and the population at large,” said CEO Edward Kennedy.

The North West Co. has long been a provider of daily necessities to people living in remote northern communities. However, under Kennedy’s leadership, the company has also become an essential part of life in other remote regions, such as the South Pacific. The integral role of North West’s retail outlets has allowed the company to maintain solid results during the difficult economic times of the past year.

“In the type of market we choose, we are serving very basic, everyday needs,” said Kennedy. The discount model used by North West at its Cost-U-Less and Giant Tiger chains also proved resilient during the recession. “Our customer wants to save money,” says Kennedy. “They have more anxiety than certainty about their future today.”

North West's 223 stores, which also operate under the banners Northern, North Mart and AC Value Center, generated roughly \$1.4 billion in revenue in 2008, up from \$1.1 billion the previous year. Although the drop in income among its customers has damaged the sale of discretionary goods at its stores, three-quarters of North West's business is in food—sales of which have remained steady. And even during recent months, when many retailers suffered massive declines, North West was reporting growth: in the second quarter of 2009, sales increased 7.3% year-over-year, to \$367.5 million.

North West's unit price, currently about \$17, has also held up well during the past year, and RBC Capital Markets analyst Tal Woolley rates it Outperform, with a target price of \$19. "North West currently trades at the higher end of consumer business trusts, but in our view this is warranted by its solid operating history, limited leverage and lower payout," he wrote in a research note in September.

North West has a long and storied history. It started as a trading post on James Bay in 1668. In 1821, North West amalgamated with Hudson Bay co. HBC sold its Northern Stores Division to a group of investors in 1987, who relaunched it under its original name in 1990. Kennedy has been with North West since 1989, and has been CEO since 1997.

In 2007, Kennedy led the acquisition of Cost-U-Less, which operates 11 warehouse stores across the Pacific and the Caribbean. People familiar with North West were surprised when it bought a chain in the tropics, but Kennedy insists the difference is in the climate, not the business model. He says all of the stores thrive on the same principles: cultural flexibility, a local approach and a strong emphasis on logistics.

Kennedy says he's not making any big changes at North West while the economy is still slow. Instead, he's focusing on increasing same-store sales by widening product offerings, keeping shelves stocked, and improving the distribution of perishables. But when the economy picks up again, don't be surprised to find Kennedy on the hunt for new acquisitions to expand North West's reach into even more remote corners of the world. – Laura Cameron

*As reported by Canadian Business Online.