

# UpMarket, DownMarket

## Where Canadian Retailers Fit on the Status Scale

By Ed Strapagiel

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### What Is the Status Scale?

Anyone involved with the industry is familiar with characterizing retailers as “exclusive”, “mid market”, “downscale”, and so on. Currently, Wal-Mart is said to be “moving upscale”, which has even attracted comment from respected sources such as the Wharton School of Business.

Consumers also understand that there are “expensive”, “in between” and “low price” stores, and have a well developed sense of what these offer in terms of merchandise, quality, and price.

But just what is this status scale? It is important to retailers and is considered to have a significant influence on where people shop. On the other hand, it seems that nobody has actually measured it. Until now.

### UpMarket and DownMarket Retailers

#### Retailer Market Status

We have developed a Market Status Index for retailers based on who shops there. Note that this is *not* according to decor, availability of valet parking, or how high-brow the sales staff is. The Market Status Index is based on the shoppers the store actually attracts and how these consumers rate their personal affluence in general. It’s a “the proof is in the pudding” approach. The results are:

- The 3 most UpMarket retailers are Holt Renfrew, Eddie Bauer, and Birks;
- The 3 most DownMarket retailers are International Clothiers, Stitches, and Penningtons.

Results for 110 retailers are given on the next page. Note that:

- While **MMRR** covers more retailers, those with limited survey sample sizes have been excluded (they may be included in future years as more data on them accumulates);
- **MMRR** covers only non-food retailers, so supermarkets and food stores are not included;
- The Index is constructed to average 100 and remove consumer bias in rating affordability;
- Results are based on consumers who shop “often” or “sometimes” at each retailer, and exclude those who shop only “rarely”.

We caution that these results should be considered speculative, due to statistical restrictions in some cases, and the difficult nature of measuring market status.

## Retailer Market Status Index

Over 100 = UpMarket; 100 = MidMarket; Under 100 = DownMarket

Holt Renfrew	132.3	The Source	101.4
Eddie Bauer	132.1	Réno-Dépôt	101.2
Birks	130.1	Foot Locker	100.9
Bombay Company	127.7	Yellow Shoes	100.7
Esprit	123.0	Naturalizer	100.5
Coast Mountain Sports	121.7	Silk & Satin	100.3
The Sony Store	117.9	Laura/ Plus/ Petites	100.1
Black's Photo	116.9	Michaels Arts & Crafts	100.1
La Maison Simons	116.3	Fabricland	99.8
Best Buy	115.6	Stokes	99.4
Indigo	114.2	Old Navy	98.9
The Body Shop	113.6	Pharmasave	98.8
Grand & Toy	112.6	Cotton Ginny	98.4
The Running Room	112.6	Moore's Menswear	98.1
Levi's Store or 1850	112.5	London Drugs	98.0
Sports Experts	111.9	Smithbooks	97.9
Carlton Cards	109.2	Wal-Mart	97.8
American Eagle	109.0	La Senza	97.6
HMV	108.5	Home Hardware	97.6
Le Chateau	108.4	Feetfirst	97.1
HomeSense	108.4	Shoppers Drug Mart	96.3
Jacob	107.6	Ardène	96.3
Japan Camera	107.6	Mark's Work Wearhouse	96.0
Peoples Jewellers	107.5	Sears Home	95.4
The Bay	107.5	Claire's Accessories	95.3
Uniprix	106.9	National Sports	95.1
Roots	106.9	Transit	94.1
Staples Business Depot	106.6	Bluenotes	93.6
Sport Mart	106.4	Fairweather	93.5
Future Shop	106.3	Zellers	93.4
A & B Sound	106.2	La Senza Girl	93.4
Jean Coutu	105.5	The Brick	93.2
Gap	105.4	Value Village	92.6
Office Depot	105.3	Bata Shoes	91.5
Rona	105.1	Athlete's World	91.2
Aldo Shoes	104.9	Reitmans	91.1
Costco	104.7	Tip Top Tailors	89.4
IKEA	104.6	Addition-Elle	89.2
The Shoe Company	104.6	Globo Shoes	89.1
Sport Chek	104.6	I.D.A. Drugs	88.9
H & M	104.5	Payless Shoe Source	88.0
Chapters	104.4	Bouclair	87.5
Home Depot	103.9	Pharma Plus	86.9
Color Your World	103.9	Northern Reflections	86.9
Brault & Martineau	103.5	Music World	86.7
Winners	103.4	Leon's	85.3
Coles Books	102.7	Benix	84.3
Guardian Drugs	102.3	Suzy Shier	84.0
Sears	102.2	CompuSmart	84.0
Toys "R" Us	102.2	Smart Set	82.9
Canadian Tire	102.1	Lewiscraft	82.7
Home Outfitters	102.0	Pro Hardware	79.6
Hallmark Cards	101.7	Penningtons	77.1
Real Canadian Superstore	101.6	Stitches	73.0
The Children's Place	101.5	International Clothiers	67.9

Source: Kubas Consultants, Major Market Retail Report 2006

Holt Renfrew being the #1 UpMarket merchant in Canada should come as no surprise. But there are other retailers whose position in the list is less intuitive. There are several explanations.

- Some home, leisure and technology retailers tend to get a high Market Status Index due to the product categories they sell. Their high Index is more due to a *lack* of DownMarket shoppers, who are less likely to buy more discretionary products like new furniture, alpine ski outfits, the newest book releases, or the latest in home electronics. Among the 32 product categories measured by **MMRR**, the greatest differences in shopping activity between UpMarket and DownMarket consumers are in Furniture and Sporting Goods.
- Retailers serving age extremes – whether young or old – tend to get a lower Market Status Index. The youngest and oldest consumers are more likely to be DownMarket, while prime time for UpMarket affordability is mostly in the middle, at 30 to 49 years of age.
- Location strategy may be the difference between two retailers whose stores and products may otherwise be very similar. The retailer with relatively more stores in “better neighbourhoods” is likely to get a higher Market Status Index, more or less by default rather than by design.

About 2/3 of retailers are within 10 points of 100 or MidMarket, and about 1/6 are in each of the extremes, either DownMarket or UpMarket. This roughly reflects the proportion of consumers in each of these three affordability segments.

## Department Stores

Another way of looking at the results is by type of retailer. Among the mainstream department stores for example, the pecking order is:

- The Bay, 107.5;
- Sears, 102.2;
- Wal-Mart, 97.8;
- Zellers, 93.4.

The Bay is the most UpMarket, while Zellers is the most DownMarket. The real class act however may well be La Maison Simons, a highly regarded Quebec retailer, with a Market Status Index of 116.3 (although Simons is not as “full line” as the other department stores).

**MMRR** results indicate that there is significant cross-shopping among department stores, that is, they all serve many of the same customers. The Market Status Index, on the other hand, does imply that there are differences “at the edge” in the types of shoppers these stores attract.

## Affluence Segments

### Measuring Affluence

Our analysis is based on **MAJOR MARKET RETAIL REPORT (MMRR)**, published by Kubas Consultants earlier this year. The 2006 **MMRR** survey contains data collected from 1,235 Canadian consumers in the six “VECTOM” markets (Vancouver, Edmonton, Calgary, Toronto, Ottawa and Montreal), which represent about 48% of total retail sales in the country. For further information on **MMRR**, visit [kubas.com/mmrr](http://kubas.com/mmrr).

We asked this question to measure shopper affluence in terms of ability to afford purchases:

- *Regardless of your income and considering your household's needs and expenses, how would you rate your ability to afford the things you need or want to buy?*

A 7-point answer scale was used to rate affluence from “Very Low” to “Very High”, and the Retailer Market Status Index was created from these detailed results.

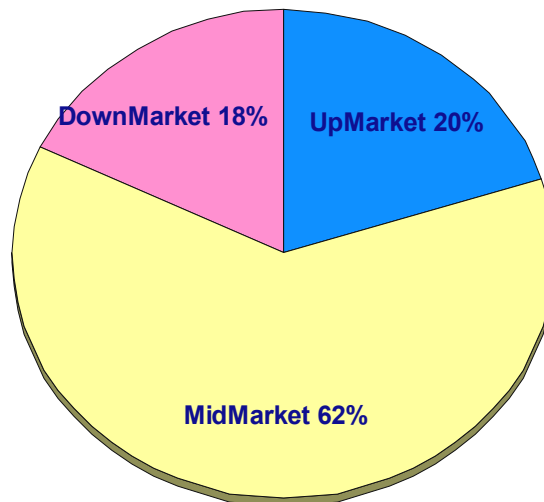
Admittedly, the approach is not perfect. There are people of modest needs and wants, who may rate their ability to afford things as “high” despite not being in a top income bracket. On the other hand, there are also those who overrate how much they can afford, and who may be constantly maxing out their credit cards.

Overall, it turns out that consumers on net tend to think they are a little better off than “the average person”. This is not unusual, simply because people in general are inclined to be somewhat optimistic about their economic circumstances.

### Three Segments

For a more straightforward picture of the market, we grouped consumers into three segments, as follows.

### Affluence Segments



Source: Kubas Consultants, Major Market Retail Report 2006; excludes non-response

MidMarket is the majority, representing a little over 3/5 of consumers, while the DownMarket and UpMarket segments are each about 1/5 of the market. The results likely reflect consumer sentiment at the time of the survey, February 2006. In different economic times, such as a recession, the relative sizes of the segments could shift around.

Although 1 in 5 consumers is classified as UpMarket, their impact on retail sales is likely much higher. They buy more and almost certainly spend more per purchase than other shoppers.

Note that “affluence” as applied here refers to the ability to afford purchases and is used to describe the circumstances of the consumer. The term “affordability”, on the other hand, is more appropriate for describing a retailer, as in “a store with affordable prices”.

## Who They Are and How They Buy

### The Stats

The table below provides some comparisons of DownMarket, MidMarket and UpMarket consumers. Most of these show significant differences, but a few items are remarkable because of a lack of difference among the segments.

	DownMarket	MidMarket	UpMarket
<b>General Characteristics:</b>			
Average age in years	44.7	45.0	44.0
Average annual household income	\$50,700	\$64,900	\$93,000
University graduates	20%	39%	51%
Homeowners	49%	65%	82%
<b>Household Type:</b>			
Couple with children at home	30%	34%	41%
Couple without children	14%	26%	34%
Single parent family	12%	5%	1%
Singles & other	44%	35%	23%
<b>View on Overall Economy:</b>			
Getting better	37%	50%	53%
Getting worse	51%	29%	23%
<b>Personal Sense of Style:</b>			
"Conservative"	43%	24%	35%
"Contemporary"	28%	39%	45%
<b>Agree That:</b>			
I always buy top quality products	26%	34%	59%
I really enjoy shopping	40%	37%	38%
I look for sales and specials in ads and flyers	68%	66%	53%
I like to use coupons and shopper reward programs	54%	41%	29%
I usually wait for something to go on sale before I buy	60%	49%	33%
<b>Very Important Store Selection Factors:</b>			
High quality merchandise	33%	49%	61%
Organized & attractive store	44%	44%	59%
Frequent buyer or loyalty program	32%	22%	16%
Very low prices	39%	31%	20%
Many sales & specials	53%	33%	24%
<b>Internet Usage:</b>			
Have Internet at home	60%	73%	80%
Have bought online in last 12 months	25%	41%	47%
<b>Very/Somewhat Interested In Shopping ...</b>			
Online	36%	42%	48%
At category killers	46%	48%	53%
In a dollar store	69%	65%	55%
At Wal-Mart	66%	59%	44%
<b>Retail Gift Cards:</b>			
Purchased one in the last 12 months	43%	48%	58%
Received one in the last 12 months	49%	51%	63%
<b>Credit Cards Held:</b>			
Visa	54%	62%	77%
MasterCard	36%	43%	50%
American Express	11%	19%	23%
<b>First Choice Method of Payment:</b>			
Credit card	20%	27%	46%
Debit card	36%	37%	33%
Cash	41%	34%	21%

Source: Kubas Consultants, Major Market Retail Report 2006

## The Story

- There is almost no difference in average age among the three groups, but income, education and homeownership rise rapidly going from DownMarket to UpMarket. Being a university graduate is very influential, but neither guarantees nor is a prerequisite for UpMarket status.
- UpMarket consumers are more likely to be couple households, both with and without children (the latter including post-family “empty-nesters”). Singles of all ages and single parent families make up almost 2/3 of the DownMarket segment. MidMarket consumers are in between in all household types.
- DownMarket consumers are pessimistic on net about trends in the overall economy, while the UpMarket segment is optimistic. On this issue at least, the MidMarket’s outlook is very close to the UpMarket view.
- The DownMarket’s personal sense of style or fashion is conservative on net, while the other segments lean to the contemporary. Overall, MidMarket consumers favour contemporary over conservative by a larger margin than the UpMarket group.
- The UpMarket is more concerned with product quality than the other segments. DownMarket consumers are more interested in advertised sales and specials, low prices, coupons, and loyalty programs. The MidMarket is usually in between on these measures, but is closer to DownMarket on sales and specials in advertising flyers. Despite these differences, all three segments have about the same lukewarm attitude on “I really enjoy shopping”.
- High quality merchandise and an organized and attractive store are big retailer selection factors for UpMarket. The DownMarket is relatively more likely to look for sales and specials, low prices, and loyalty programs. Nevertheless, many DownMarket and MidMarket shoppers still appreciate an organized and attractive store.
- Home Internet availability increases only somewhat going from DownMarket to UpMarket. But UpMarket consumers are significantly more likely to have actually bought something online in the last 12 months.
- UpMarket consumers are somewhat more interested in shopping online and at category killer retailers, while the DownMarket segment is relatively more interested in shopping at dollar stores and at Wal-Mart. The MidMarket is in between. Nevertheless, there is significant potential activity from all segments – over half of UpMarket consumers are still interested in dollar store shopping.
- UpMarket consumers are more likely to both buy and receive retail gift cards.
- DownMarket consumers have the fewest credit cards, UpMarket types have the most, and MidMarket is in between.
- The most preferred means of payment are cash for DownMarket, debit card for MidMarket, and credit card for UpMarket.

All these considerations are tendencies, rather than hard distinctions. There are likely significant exceptions on every factor. Market status still remains a difficult concept to measure.

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