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Zellers Comfortable in Tough Retailing Climate

MONTREAL -- Canada might be in the throes of its worst recession since World War II, but 265-unit Zellers--like several other discount stores--is weathering the storm comfortably.

In fact, while successfully digesting its 6 month old Towers Department Stores acquisition--the 46 Towers stores it kept from the 51-unit chain have been fully converted to the Zellers format--Zellers was also cultivating new retail formats.

Four new specialty store formats were opened last year, said Paul Walters, Zellers' president, and other specialty concepts are on the drawing boards. Ten more Zellers stores are slated to be opened by year's end. Long-range plans for Zellers put it at 350 stores by 1995.

The names of the specialty stores are in French because these test units are located in Montreal to make it easier for merchandisers and executives to monitor the performance at these locations.

Litery Etc.--which translates to Linens Etc.--is an 8,000-square-foot strip mall store which, Walters said, is most akin to a linens specialty discounter in the United States. Roughly 80% of the merchandise is soft home goods, stressing moderately priced department store brands at 20% to 40% off department store prices. Other departments are housewares, stationery, artificial flowers and a closet shop.

The specialty format which has already shown the most promise--and has already opened its second location--is Cuisine A Tout (translation: Housewares & More). Despite its compact size, Cuisine A Tout was opened in a regional shopping center.

Le Marchand De Papier, or "The Paper Merchant" is a full service and full line stationery store with an office and home office focus. The test store is 5,000 square feet and is located in a regional shopping center.

Cienna Plus, which would require no translation outside of Quebec, is a large size women's apparel store with a career fashions, accessories and hosiery focus. "The whole special size category is projected to have considerable growth," he said. The optimal store size is between 2,500 to 3,000 square feet.

Limited future growth projections for Canada's retail market means Zeller's growth must come at the expense of other retailers.

Excluding Towers' sales, Zellers' 1990 sales reached \$2.24 million, up 8% from 1989. Operating income for 1990 was up 12% to \$203 million.

Walters estimates Zellers "owns" 20% of the \$14 billion DSS market (department store sales.) While he believes Zellers to presently be third in sales volume behind Sears and Canadian Tire, Walters believes the chain will surpass Canadian Tire and become Canada's second largest general merchandise retailer by the end of 1991.

PHOTO : Zellers will open 10 more units by year's end.

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