

BUSINESS

JOE'S FRESH TAKE

How Loblaws became the new king of Canadian fashion

BY JOHN INTINI • Although it's just a construction site right now, the southwest corner of Toronto's Queen Street West and Portland Street holds great promise for fans of fast fashion. That's because here, on the edge of one of Canada's busiest shopping strips, and just a few blocks from H&M, Urban Outfitters and American Apparel, Joe Fresh plans next year to swing open the doors of a shiny new 8,000-sq.-foot store. Loblaws' cheap 'n' cheerful clothing line has been in the fashion war for a few years, but this is the first time it has decided to do battle on its competitors' turf.

For the most part, the brand, which is available across Canada in more than 340 Real Canadian Superstores and Loblaws stores, has gone after a slice of Canada's \$19-billion apparel market from the friendly—and some would say unlikely—confines of suburban grocery stores. And though a Loblaws will occupy the second floor of the future condo tower at Queen and Portland (a Winners will take the third floor), Joe Fresh's simple yet stylish basics will be responsible for catching the eyes of shoppers at street level. This is, arguably, the biggest test of the brand since it launched in 2006. But retail experts think it's up for the challenge. "They're really poised for some explosive growth," says David Ian Gray, principal of Vancouver-based DIG360 Consulting. "I have clients, in specialty chain retail, that are concerned about them."

By last summer, Joe Fresh, the brainchild of Joseph Mimran, co-founder of Club Monaco, had already become Canada's second-



largest clothing label, according to market research. And despite the recent downturn, the brand is still aiming to hit its rather ambitious \$1-billion all-time sales target. Thanks to low-priced items like \$29 skinny jeans and \$59 down jackets, the tough times have been a boon for the bottom line. "It's brought us new customers who may have been more skeptical at the beginning," says Elizabeth Margles, a vice-president of marketing with Loblaw Companies Ltd. "It gave them a reason to try us. And once they try us, they keep coming back."

Since its inception, Joe Fresh has been a smash hit with suburban soccer moms. But experts have been a little surprised by how many young urbanites, regulars at Holt Renfrew and other high-priced boutiques, are willing to snap up \$29 cable-knit sweaters and \$49 skirts without the slightest hint of shame. Many, in fact, openly boast to friends

about their great finds. "It's not so much the quality, it's more the fit and the style that has really surprised them," says Gray. "They expected a lot less for what they're paying." Or maybe the real appeal is buying clothes at Wal-Mart prices in a store that's somehow managed to create a trendy image.

Runway shows during Toronto Fashion Week have helped bolster the brand's appeal with twenty- and thirtysomething professionals. Last October's show was one of the hottest tickets in town, with many of the city's biggest names in attendance, including Raptor superstar Chris Bosh and celebrity chef Susur Lee. And there's nothing down-market about its ad campaigns. In fact, Joe Fresh features Lisa Cant, a Canadian supermodel who has appeared in campaigns for Chanel, D&G and Versace, as the face of its cosmetics line. "We had a built-in barrier originally—'Oh, will I put lettuce in the same cart that I'm going

to put a silk blouse?" says Margles. "In order for us to overcome that right out of the gate we really had to establish ourselves as a fashion brand—we needed to give a reason for people to take that leap of faith with us."

Though uncommon in North America, the mixing of food and fashion has proven to be a successful retail combination in Europe and the United Kingdom. The competitive advantage of this set-up for the clothing brand, of course, is the built-in foot traffic a grocery store affords. By one estimate, Canadians go to grocery stores 1.8 times a week, but only visit a mall about once a month. Margles says 12 million people walk through a Loblaws every week. And though she refuses to divulge any specifics, she says this "point of differentiation" is paying off. "We've done the research," she says. "We know that we've converted customers from other grocery stores because of Joe Fresh."

So why haven't there been copycats? For one thing, the food at Loblaws, due largely

clothing line at Zellers. Fashion is in their blood: their mother Esther was a tailor in Morocco. And in the late '70s, she and Saul opened Ms. Originals, a dressmaking business in Toronto.

Joe's big splash came in the mid-'80s, when he launched Club Monaco with Saul and Sung. The business had grown to 125 stores and had gone public when, in 1999, Polo Ralph Lauren Corp. bought it—as well as Caban, Mimran's home-furnishing chain—for \$79 million. Mimran stayed on as chairman, president and CEO. But about 18 months later, after sales slipped, he was fired.

Following that setback, he started Joseph Mimran & Associates in 2001. He became the creative director of Loblaws' President's Choice Home collection and designed a private label for Holt Renfrew. So when the Weston family, which owns Holt Renfrew and a majority stake in Loblaws, was looking for a fashion fix to combat Wal-Mart's aggressive

strategy, without a link to a Loblaws, are not part of the game plan right now. And Margles dismisses talk of U.S. expansion. The American apparel market is worth nearly US\$190 billion and the recession has hit the U.S. harder, making consumers there more likely to give fast fashion a shot. But Loblaws doesn't have any operations in the U.S. And, she says, there's still a lot of potential in Canada. In 2009, Joe Fresh was added to 43 stores. And though the line is sold in every Superstore already, this is a company with 1,100 stores in total.

Analysts agree that a stay-at-home strategy is probably best—for now. "Until you exhaust the existing model," says Atkinson, "you don't want to get too scattered." And though Gray thinks the U.S. may provide a good testing ground for stand-alone stores at some point, that time isn't now. "Historically, Canadian retailers put a tentative foot in the States and get their toes cut off," says Gray. "When you go into the States, you have to go in a big way. They need a little bit more experience nailing the growth curve they're on."

A smaller step, like heading into the highly competitive Queen Street West fashion fray,

JOE FRESH at Toronto's Fashion Week; supermodel Lisa Cant (right) sells a cosmetics line



JOE FRESH COMBINES WAL-MART PRICES WITH A TRENDY IMAGE

to the company's private labels, "is more fashionable" than many of its competitors, says Maureen Atkinson, a senior partner with Toronto-based J.C. Williams Group. This helped make the somewhat odd pairing of food and fashion more palatable. Of course, there's also the fact there aren't all that many Joe Mimrans to go around.

As creative director, Mimran doesn't sketch every blouse and sweater that makes its way onto the rack. He has a team of more than 150 product developers, trend forecasters, managers and designers. But Mimran has "his hand on every design," says Margles. In the unlikely event he needs a second opinion, he has plenty of fashion sense at home. His wife, Kimberley Newport-Mimran, is the creative genius behind Pink Tartan, the popular high-end women's label. Meanwhile, his older brother Saul's company—Mimran Group Inc.—produces Pure, the Alfred Sung-designed

move into grocery a few years ago, they didn't need to look very far.

In the last 16 months, to better position itself against the other cheap-chic labels, Joe Fresh has added cosmetics, jewellery, bags and shoes to its line. And just before the holidays, it launched bath products—including body washes and moisturizers. When asked about further expansion plans, Margles says much of the focus in the next year will be expanding existing departments in Loblaws stores. Stand-alone locations in

is more logical. For the company, making Joe Fresh the face of a new Loblaws store has been a question of timing—it believes it has achieved the required brand awareness. And though Wal-Mart was the initial trigger for the brand's launch, Margles identifies H&M and Zara as two of Joe Fresh's main competitors. "We always knew," she says, "that we had the product to go head-to-head with them." Soon they'll get to try and prove it. ■

FRANK GURIN/CP; GEORGE PIMENTEL



WAL-MART GREETER PUNCHED, THEN FIRED

Ed Bauman, a 69-year-old Wal-Mart greeter in Florida, says he was only trying to do his job after a customer set off an exit alarm. Angry that Bauman followed him outside, the man grabbed his clipboard. As Bauman tried to get it back, the customer took a swing at him, so the senior citizen swung right back, he says, in self-defence. The customer was arrested and Bauman was fired. "I guess they just wanted me to stand there and get beaten," he said.

MACLEANS FEB. 1 '10