

Celebrate with caution

Holiday survey 2009



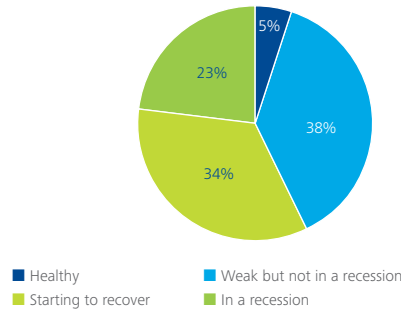
2009 Canadian holiday shopping survey

As we enter into the holiday shopping season, Canadians' view of the economy has brightened considerably relative to last year. Less than one-quarter believe we are in a recession, 43% believe we are not in a recession, and 34% believe the economy is starting to recover. Only a year ago, 53% thought the economy would worsen.

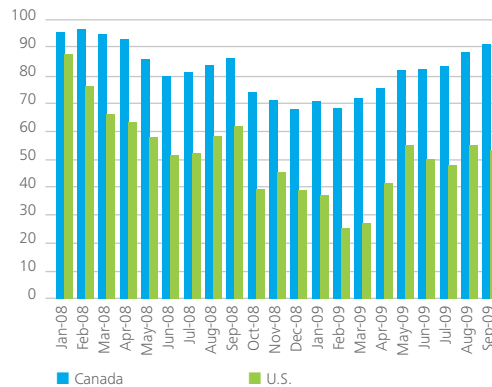
As a result of this optimism, consumer confidence has risen steadily in Canada for the last six months, with the Conference Board of Canada Consumer Confidence Index reaching the 90 mark in September, a level not seen since April 2008. In contrast, the U.S. Conference Board Consumer Confidence Index has been hovering recently around the 50 mark.

However, increased optimism in Canada will not yet lead to significant consumer spending. When asked what they would do with a bonus or extra income, more than 70% say that they would pay down debt or save. Less than 10% say they would spend the money. This is likely a reflection of the decrease in net worth most Canadians have experienced in the last few years – and possibly concerns over rising interest rates at some point next year.

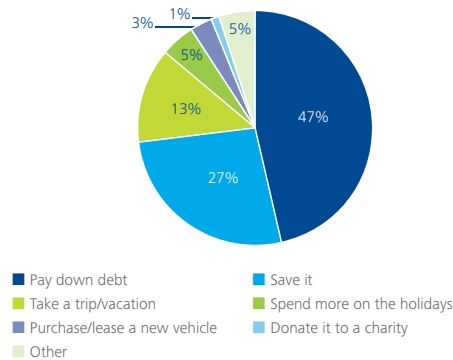
Canadian view on current economy



Consumer confidence index



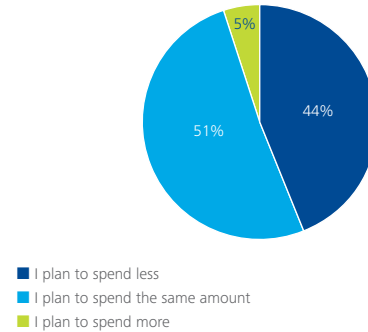
What people will do with a bonus or extra income



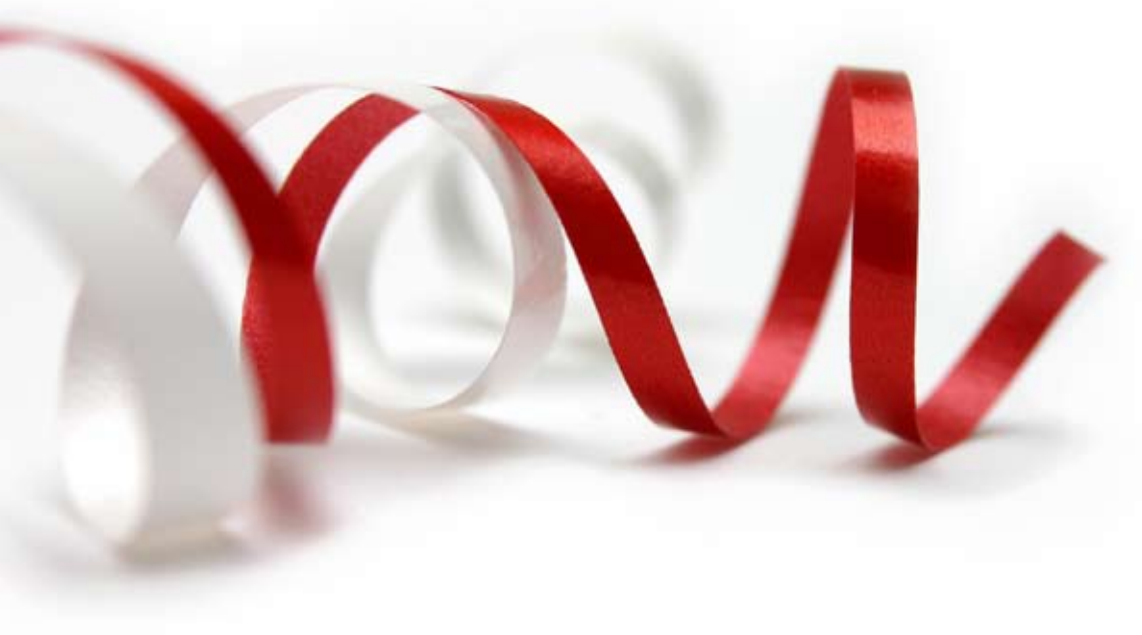
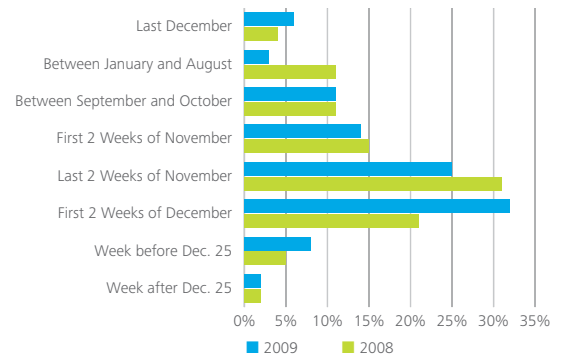
Creative retail strategies needed to woo hesitant shoppers

To draw the Canadians into their stores, retailers need to be more creative this year than ever. More than 40% of Canadians plan to spend less during the 2009 holiday season than they did last year. And this year, many plan to do the majority of their shopping during the first two weeks of December. These consumers may risk finding popular items out-of-stock as retailers trim inventory to reduce end-of-season markdowns. Overall, shoppers and retailers will have conflicting strategies, and retailers will need to clearly demonstrate value or exclusivity to bring shoppers in and sell at full price.

Spending plans for 2009 holiday season



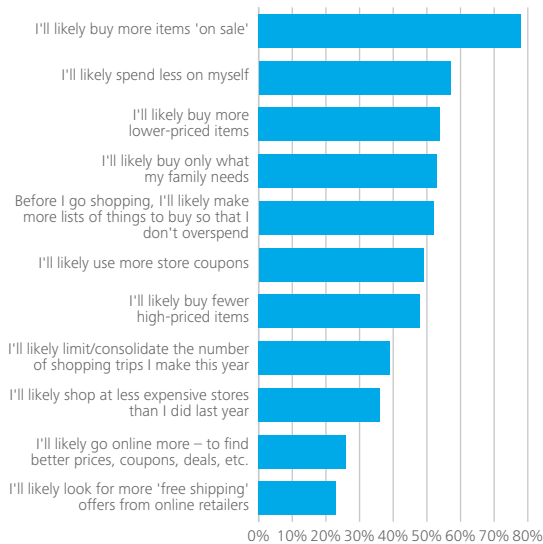
When shoppers plan on doing most of their holiday shopping



When asked what factors were driving people to change their holiday shopping habits, almost 80% cited the desire to buy more items on sale, and 50% plan to spend less on themselves – both natural responses to a vulnerable economy.

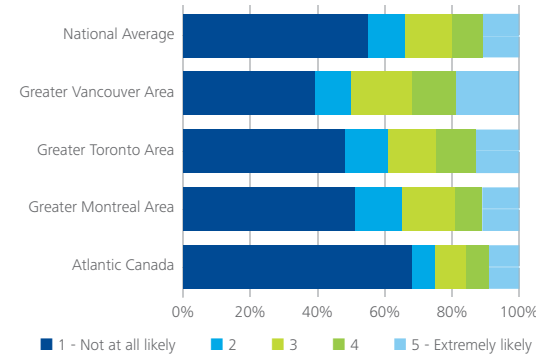
Canadian retailers will also suffer somewhat from American competition. The strong Canadian dollar and the pressure felt by American retailers are likely to create great shopping opportunities across the border. Some American retailers are advertising directly to Canadians – and in border populations like the Greater Vancouver Area, more than 30% of respondents indicated they were likely to visit the United States for their holiday shopping.

Why people will change shopping habits



Source: D&T Holiday Mood 2009

Likelihood to shop across the border



Source: D&T Holiday Mood 2009

“Retailers need to closely monitor inventory so that they can still take advantage of late shoppers, and not risk out-of-stocks.”

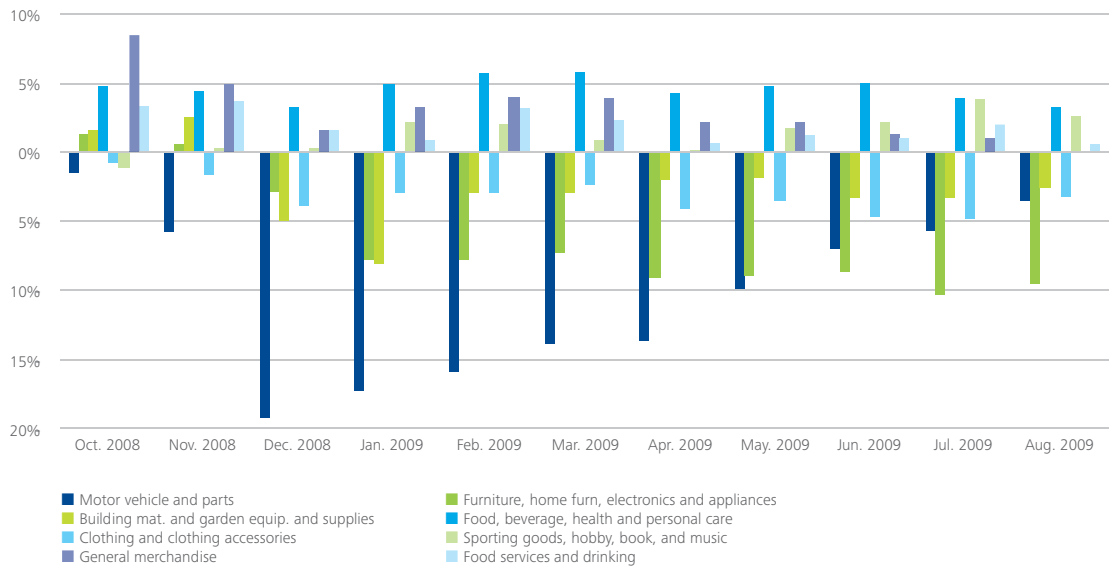
Rob Carruthers, senior manager in Deloitte's Consumer Business Practice

Playing the inventory game

Last December, the biggest drop in retail spending among Canadians was in the auto sector, while the more mundane food/beverage/health/personal care category increased. Since then, the latter continues to perform well while auto has seen improvement. However, there has been a significant slide in the sale of furniture, home furnishing, electronics and appliances.

What does this mean for retailers during the 2009 holiday season? As demand builds due to deferred purchases, retailers will need to carefully plan inventory.

Change in Canadian retail and food services sales from previous year seasonally adjusted



Source: Statistics Canada

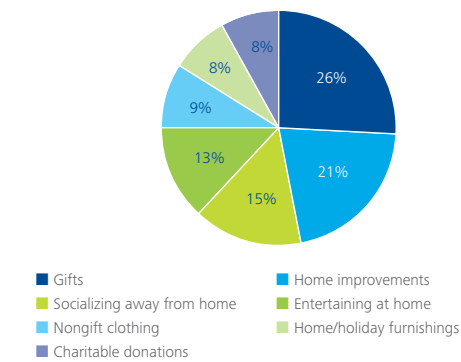
“Last holiday season, retailers were caught with excess inventory as we entered the depths of the recession. The unseasonal weather led to slow sales in summer-related products. Hence, retailers are exercising caution this holiday season by keeping their inventories to a minimum.”

Rich Kohn, Deloitte partner specializing in Retail

Competition for the holiday budget

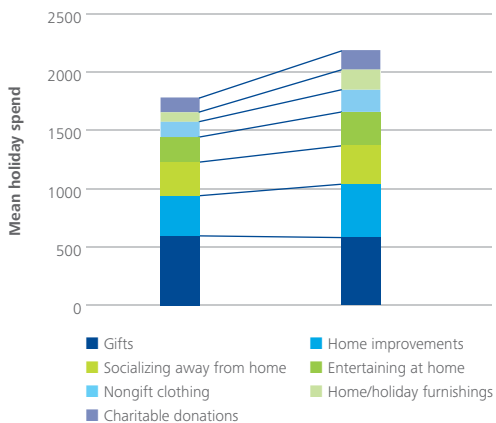
Consumers plan to spend 26% of their holiday budget on gifts this year versus 33% in 2008. The rest of their purchases will be on items for themselves and their families: 21% of the allocated budget will fund home improvements, up 2% from last year, perhaps in response to the 2009 federal tax credit. Socializing and entertaining will account for another 28% (the same in 2008), perhaps reflecting a recession-driven shift away from “things” in favour of time with family and friends.

Total spend by category



Source: D&T Holiday Mood 2009

How much do you expect you will spend during the upcoming year-end holiday season on each of the following items?

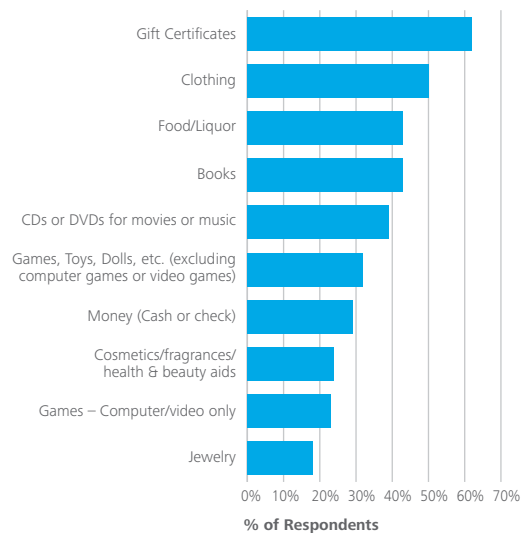


Gift cards the #1 choice

When it comes to gift selection, more than 60% of shoppers are deferring the decision to their recipients, and purchasing gift cards instead. People are choosing to shift away from durable goods to experience-based gifts such as theatre tickets, spa getaways, and other.

Electronics (this includes video/computer games) will also be a favourable holiday purchase. The season’s anticipated hot items will include the iPhone, Blackberry, Netbooks and the Nintendo Wii. The season’s hottest gift items will be driven by technology, celebrities and several blockbuster movies.

Top gift categories



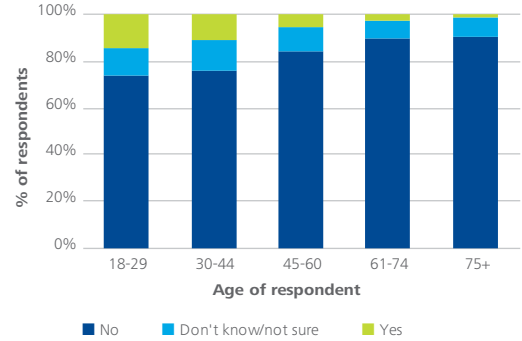
Young shoppers turn to social media

Although the general population won't turn to social media during their shopping this season, those in the younger demographic are more likely to use it to research gift ideas, search for discounts, and seek out product reviews.

“The next big thing in retail are promotional and loyalty applications on the consumer’s mobile devices such as the Blackberry and iPhone.”

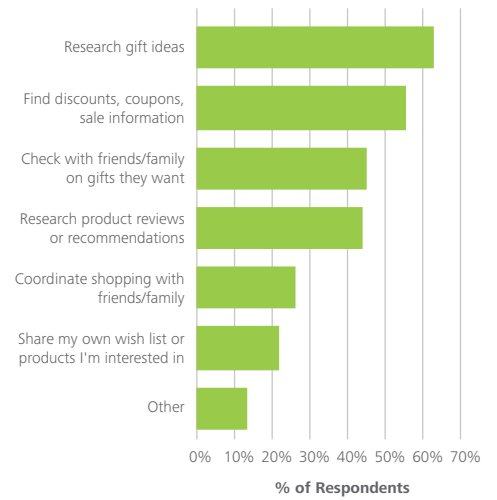
Jean-Philippe Vorsanger, a senior manager in Deloitte’s Consumer Business practice

Will social media be a part of the holiday shopping



Source: D&T Holiday Mood 2009

Will social media be a part of the holiday shopping



Source: D&T Holiday Mood 2009

Cross-country spending

Regional differences will likely play a role in how retailers do in the upcoming holiday season. Job security, always a factor in spending decisions, varies significantly from coast to coast with 81% of respondents feeling at least somewhat secure in the Greater Vancouver and Greater Toronto Areas, 89% in the Greater Montreal Area and 93% in Atlantic Canada.

Atlantic Canadians allocate more of their holiday spending to gifts (33%) than other Canadians and any other category. Greater Toronto and Greater Montreal Area residents allocate more to home improvements (25% to 28%) than other Canadians and any other category.

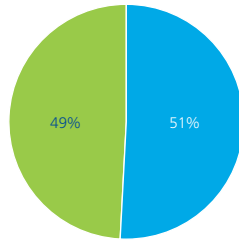
Greater Vancouver Area residents allocate 32% of their holiday spending to socializing and entertaining.

“While Montreal shoppers are worried about economic trends, our data reveals that they are still confident and spending where they see value.”

Martine Laberge, Deloitte's Montreal Retail Practice Leader.

Respondent profile

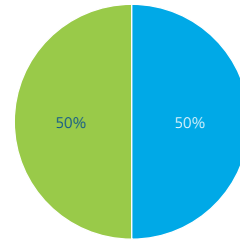
2009 Gender distribution



■ Male ■ Female

Source: D&T Holiday Mood 2009

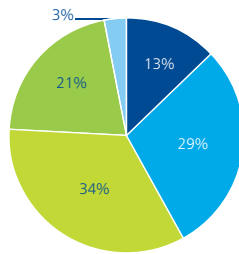
2008 Gender distribution



■ Male ■ Female

Source: D&T Holiday Mood 2009

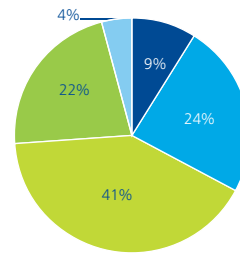
2009 Respondent age



■ 18-29 ■ 30-44 ■ 45-60
■ 61-74 ■ 75+

Source: D&T Holiday Mood 2009

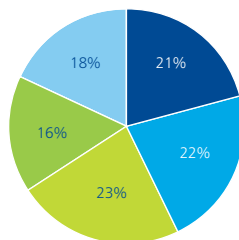
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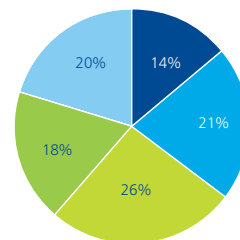
2009 Annual household income



■ Less than \$30,000 ■ \$30,000-\$49,999 ■ \$50,000-\$74,999
■ \$75,000-\$99,999 ■ \$100K+

Source: D&T Holiday Mood 2009

2008 Annual household income



■ Less than \$30,000 ■ \$30,000-\$49,999 ■ \$50,000-\$74,999
■ \$75,000-\$99,999 ■ \$100K+

Source: D&T Holiday Mood 2009

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